

nationalgrid



Principles for a fair transition

At the heart of a clean, fair,
and affordable energy future

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Introduction

At National Grid, our vision is to be at the heart of a clean, fair and affordable energy transition. Energy is vital to our daily lives and climate change is the defining issue of our time. We recognise the challenges faced in tackling climate change and the need to transform our energy system, rethinking where our energy comes from and how we use it.

To achieve this rapid change, we will need to focus on delivering the energy transition, which will require significant growth in our networks, supply chain and workforce. Historically, different communities have been affected by the energy industry differently. As we make this transition to clean energy, we know new infrastructure will have an impact on communities, and vulnerable customers in particular will need support along the way.

We believe that we have a responsibility to help society share in the benefits of a fair transition to a net zero future, whether that is helping people in education today to become the energy problem-solvers of tomorrow, supporting our customers to use energy more efficiently, or tackling climate change by targeting net zero for our own emissions by 2050.



We support the Paris Agreement on Climate Change, which highlights the need for a Just Transition as well as the International Labour Organisation's (ILO) Just Transition guidelines.

A fair transition: What it means to us

There is no universally agreed definition of a fair transition but, for National Grid, a fair transition means playing our part in ensuring:

- no one is left behind as we transition to a clean energy future
- no matter who you are or where you live, your income or background, everyone should share in the benefits of the clean energy future: access to clean energy, health, job opportunities and economic development.

We won't be able to do this on our own and believe companies like ours each have a role to play to achieve these ambitions.

We support the Paris Agreement on Climate Change, which highlights the need for a Just Transition as well as the International Labour Organisation's (ILO) Just Transition guidelines.

Energy networks play a vital role in delivering this transition. They enable the connection of new renewable energy sources and clean technologies, such as electric vehicle charging infrastructure, that help reduce greenhouse gas emissions. At National Grid, a key part of making this a fair transition is the role we play in facilitating the wider decarbonisation of the economy.

We need to grow our networks, and in doing this we will deploy

new technologies to make sure we are efficient and reduce our emissions, as set out in our [Climate Transition Plan](#) (CTP). Growing our networks means our workforce will have to grow. Another key aspect of the fair transition for us is retraining our employees and ensuring we bring in the skilled, diverse workforce, particularly from underrepresented groups, needed to grow our energy networks and [interconnections](#), support the development of energy technologies, and digitisation of the way we work.

As we make these investments, we need to play our part in making sure the transition is affordable. The scale of the growth in our networks means there could be affordability challenges in the short term for some of our customers as we transition to cleaner energy for the long term. We will need to carefully consider our investment decisions in collaboration with our regulators so that we offer best value for our customers. And, as a responsible business, we also want to ease the pressure on our communities and customers by providing support in areas such as energy efficiency measures.

As part of making the transition fair, as a business, we need to reduce our negative impact on the environment, through reducing our emissions and working to ensure that where we are operating, we leave behind a better environment.

We understand that delivering this transition fairly involves anticipating, assessing and addressing social risks and opportunities. It also means ensuring meaningful dialogue and participation for affected groups (including workers, communities, supply chains, and customers). How we will do this is embedded in our vision of being at the heart of a clean, fair and affordable transition and demonstrated in the fair transition principles set out in this document.



At National Grid, a key part of making this a fair transition is **the role we play in facilitating the wider decarbonisation of the economy.**

Our approach

These principles have evolved specifically from our “A fair transition: our approach and engagement” document published in June 2022. In that document we set out our initial thoughts on a fair transition and provided a framework for further engagement on the topic.

Following publication of that document, we commissioned Sustainability First, a UK think-tank that promotes practical, sustainable solutions to improve environmental, social and economic well-being, to facilitate a series of stakeholder roundtables (with representation from industry, Trade Unions, charity partners and our supply chain) and workshops with the public, particularly underrepresented groups. [Sustainability First has recently set out its recommendations](#) for the UK energy sector, including National Grid, to ensure that investment and policy decisions taken to decarbonise our energy system are fair and equitable, while respecting environmental limits.

We also held an Equity in Energy Summit in each of the jurisdictions in which we operate (New York, New England and Great Britain), bringing together industry, government and Non-Governmental Organisations (NGOs) to engage others in discussing what it means to have a fair and equitable energy transition.

Following this extensive stakeholder engagement, we have a better understanding of what a fair transition means to our employees and external stakeholders such as supply chain partners, communities in which we work, NGOs and government. The feedback from these discussions has helped inform our thinking and principles for a fair transition, which are set out on page eight.

As we drafted the principles in this document, we reviewed them against our existing commitments in our [Responsible Business Charter](#) (RBC) and found lots of consistency. Therefore, rather than creating new commitments and targets, we are showing how our existing commitments support a fair transition and demonstrate where we are already making progress in this area. By doing this we want to demonstrate that our principles for a fair transition are already embedded in our approach to the clean energy transition. Our feedback from stakeholders also highlighted that making sure the transition is fair differs in the jurisdictions in which we operate: Great Britain, New England, and New York.

In the US, the environmental justice movement developed because polluting infrastructure was built in low-income and disadvantaged communities, creating subsequent impacts such as poor health.

In the UK, the history of a just transition comes from the loss of good quality jobs as industry changed impacting the people or the communities affected, such as when coal mines were closed.

We have worked to bring these issues together and use the term ‘fair transition’ to encompass the different meanings and contexts.

The principles in this document are designed to cover all our operations, but how our principles are applied respect the different meanings of a fair transition in our jurisdictions. For example, our advocacy for environmental justice policies in New York through our community programme [Project C](#), our [Community Grant Programme](#) in the UK and the Clean Energy Academies established in New England following the Equity in Energy summit held there. These programmes aim to cultivate a sustainable pipeline of diverse

talent, ensuring our workforce has the skills needed to reach our clean energy objectives while reflecting the communities we serve.

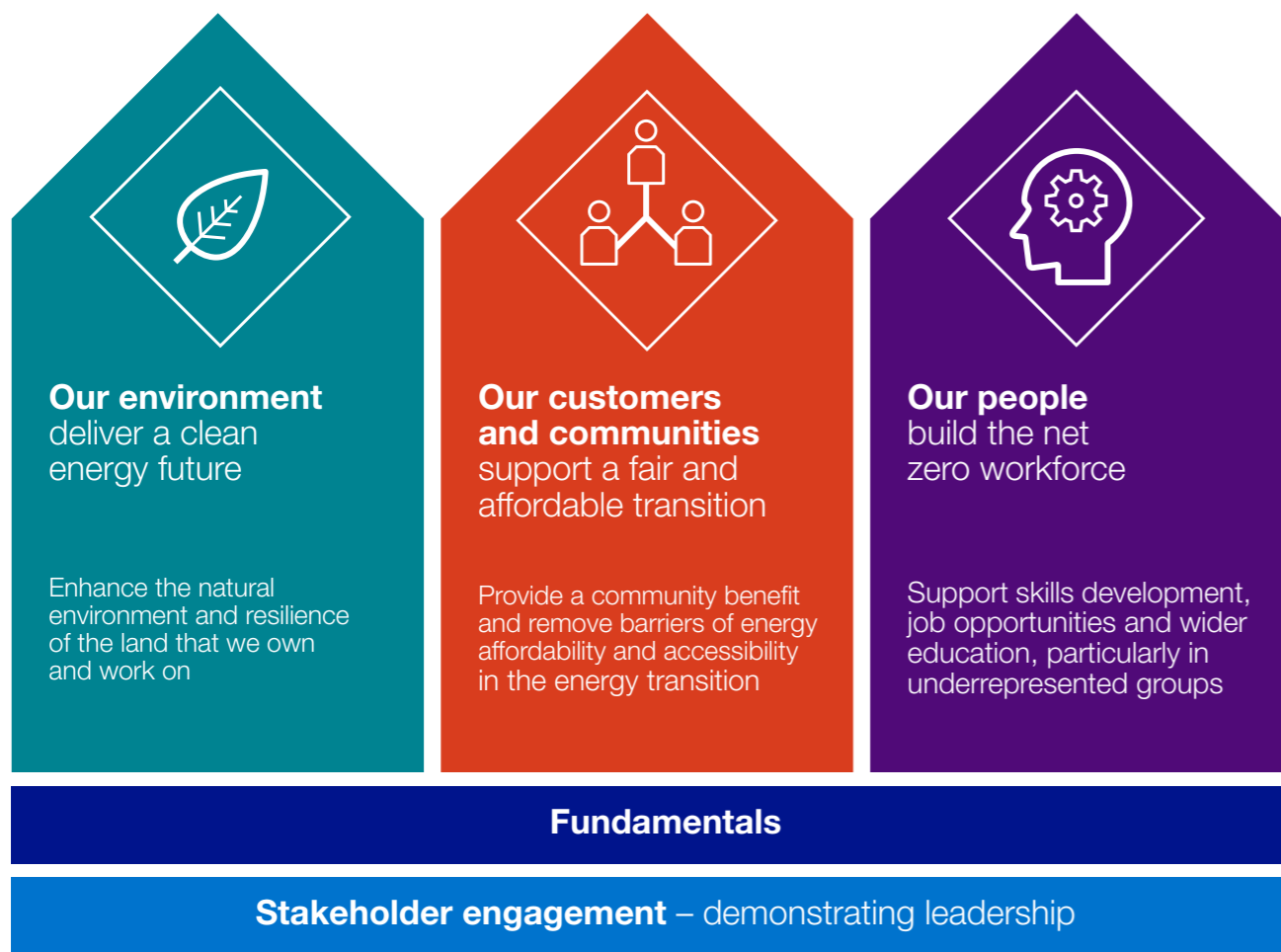
Finally, feedback from stakeholders identified the need to continue to explain and engage on how the transition to clean energy will

affect our workforce, supply chain, environment and communities. To reflect this, we have specifically focused on stakeholder engagement in our principles, demonstrating our commitment to listen to our communities needs and work alongside them to achieve this transition.



Our fair transition principles

As set out on pages six and seven, our principles have been aligned with our RBC and the pillars within it: our environment, our customer and communities, and our people. We believe they are a simple framework to guide our work and that following these will help us deliver a fair transition. Our principles are set out below:



Our Environment – deliver a clean energy future

We play a leading role in enabling and accelerating the move to a cleaner future. By successfully connecting new renewable energy to the grid we will be delivering our own emissions targets and further supporting the wider economy to decarbonise.

As part of our RBC, we have set near term greenhouse gas (GHG) emissions reduction targets that are aligned with the 1.5°C pathway validated by Science Based Targets initiative (SBTi), and we have a commitment to be net zero¹ by 2050. Our GHG emissions reductions are linked to the decarbonisation of energy systems and to our overall business strategy. Beyond emissions reductions, managing the impact of the delivery of energy infrastructure on the natural environment, along with using our non-operational landholding to deliver benefits to the natural environment, are important commitments in our RBC.

Our customers and communities – support a fair and affordable energy transition

As a responsible business we want to ease the pressure on our communities and customers through activities such as mobilising hardship funds and energy efficiency measures, which we will deliver through partnerships with organisations working on the front line.

We know there are communities who will be impacted by the expansion of energy networks as part of the transition. We want to work closely with them to make sure that we’re balancing the needs of those hosting this infrastructure, with the need to deliver lower bills, more secure energy and more clean energy for everyone. We aim to do this in a number of ways – from developing skills and employment opportunities to supporting local community projects.

We are also working alongside and collaborating with our peers, partners and educators to lead the way in building programmes to accelerate social mobility in the communities we serve, with a focus on those with lower incomes.

We appreciate the need to put communities and customers at the forefront of the transition, working with our regulators to deliver consistent community benefits frameworks to help local people secure real value for hosting critical net zero infrastructure.

Our People – build the net zero workforce

As our workforce increases to support the energy transition, our continued vision is to build and develop an inclusive culture and a diverse workforce that is representative of the communities we serve. We aim to treat everyone equally, without discrimination on the grounds of race, age, gender, gender identity, religion, country of origin, sexual orientation, marital status, dependants, disability, social class, veteran status or political views.

We will work to support skills development, job opportunities and wider education, particularly in traditionally underrepresented groups through schemes such as [Grid for Good](#).

¹ Net zero is defined in our annual report and accounts as ‘a person, legal entity (such as a company), country or other body’s own emissions of greenhouse gases are either zero or that its remaining greenhouse gas emissions are balanced by schemes to offset, through the removal of an equivalent amount of greenhouse gases from the atmosphere, such as planting trees or using technology like carbon capture and storage’.

Fundamentals of a Responsible Business

In our RBC we have identified a set of commitments which are the foundation of being a responsible business; they are also relevant in delivering a fair transition. These are the actions that are expected of us as a minimum and should be business as usual in an organisation like ours; being a compliant and ethical business in everything we do. You can read about all our [responsible business fundamentals](#), but some of the most relevant commitments for a fair transition are in the table on page 13.

Stakeholder engagement

We recognise the importance of engagement with and hearing from our stakeholders, and this was further underlined through our stakeholder feedback. Within our own business standards, we highlight that it helps us:

- set our business priorities
- demonstrate we're meeting stakeholder needs
- define our role, particularly in relation to decarbonisation, and
- understand and support the communities we impact now or in the future.

From our engagement on a fair transition, we know that our stakeholders want us to demonstrate leadership in the energy sector and ensure that our stakeholder engagement is fair and inclusive. This means:

- **Demonstrating leadership** – Ensuring we use our position to continue innovating and leading in the energy transition, engaging on policy needs to support the transition, informing the public on the need for the transition and explaining what that will mean for different groups. Making sure that as we make this transition, we also advocate for it to be fair.

- **Ensuring our stakeholder engagement is fair and inclusive** – Working to provide inclusive engagement, focussing on stakeholders who are underrepresented, amplifying voices and perspectives as well as collaborating with our supply chain and across the industry to share best practices and drive change.



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Delivering a fair transition

In thinking through how we can play our part in making the energy transition fair and responding to the feedback from the engagement we have undertaken, we want to reflect the work that is already underway at National Grid and align with the commitments we already have in place. This demonstrates that we are already delivering in this important area, from our RBC, Diversity Equity Inclusion (DEI) strategy, human rights commitments and [supplier code of conduct](#).

Below we have summarised the commitments we have made that we think demonstrate how we are already supporting a fair transition in our [RBC \(1\)](#), our [Policy on Human Rights \(2\)](#) and our [DEI Strategy \(3\)](#):

How are we doing this?

Our environment



Achieve net zero by 2050 for Scope 1, 2 and 3 emissions. (1)

Our plan on how we will do this is set out in our [CTP](#)

Protect our natural environment. (1) Restore the natural environment by 10% on the land we manage in the UK and preserve the natural environment on the land we manage in the US.

Build resilience into our operations. (1) – Report on our climate change risks and opportunities and our investment in climate change adaptation activities

Our customers and communities



Support an affordable energy transition. (1) – Report on the benefits provided as a direct result of our community support, including financial assistance, advice and energy efficiency measures.

Engage directly in our communities through volunteering. (1) – Deliver 500,000 employee volunteering hours in our communities by 2030.

Accelerate social mobility in the communities we serve by providing meaningful skills development for communities facing socio-economic disadvantage (1). – Provide meaningful skills development for 45,000 people by 2030 with a focus on communities facing socio-economic disadvantage and report on the progress of our Grid for Good employability programmes.

Our people



Invest in our people and build the skills needed to deliver the clean energy future (1)

Reflect the communities we serve, with heightened attention to increasing ethnic and female representation in our workforce. (1) –

Aim for 35% female representation and 20% ethnicity in our management population by 2025,

Aim for 50% female representation and 40% ethnicity in our new talent population by 2025,

Aim for 50% diversity of our Group Executive by 2025 including but not limited to a focus on gender and ethnicity.

Aim for 50% diversity of our Board by 2025.

Continued overleaf

How are we doing this?

Our people continued



Create an inclusive culture, where it is safe to speak up and where our colleagues' voices are heard and understood by our Group Executive and Board. (1) – Aim for our colleague engagement and 'Safe to Say' metrics to remain at or above the high-performing norm (Korn Ferry benchmark).

Lead the industry on colleague health and wellbeing (1) – Aim for our colleague wellbeing metrics to remain at or above those for the previous year.

Ensure all colleagues receive fair and equitable pay (1) – Committed to making sure pay is equitable for all colleagues and to ensure there is no bias regardless of location in the UK or US, gender, ethnicity or disability.

Ensure that we promote and respect the human rights of everyone working for us, or on our behalf, ensuring that they can expect decent working conditions, with the ability to work freely and receive fair pay in return. (1) – For our colleagues we have an Ethics helpline and clearly signposted reporting processes, and for suppliers we have screening tools in place. We are also working with peer companies across the energy industry to agree common standards for human rights.

Empower our people by embedding inclusion into everything we do (3).

Build a diverse and innovative green workforce for our customers (3).

Move boldly and quickly to **deliver organisation-wide equity** through our processes (3).

Fundamentals



Committed to safely, reliably, and efficiently connecting millions of people to the energy they use. (1) – This is embedded throughout our strategic priorities and values and delivered by our business units through network projects.

Continuing to invest in developing technologies and innovations that benefit our customers and wider society. (1)

Committed to being a compliant and ethical business in everything we do. (1)

We are fair to our suppliers and committed to paying them promptly (1) – We have demonstrated our commitment to the fair treatment of our suppliers by signing up to the Prompt Payment Code. We are an accredited Living Wage employer and set expectations on employment agency partners to uphold the same standards of employment that we offer to our direct employees. These principles are expected of our suppliers and in their own supply chains, as set out in our Supplier Code of Conduct.

Committed to working with stakeholders and the wider industry to advocate for action and broader influence on responsible business topics. (1) - Our Global Corporate Policy on Responsible Lobbying and Political Engagement defines our commitment in this space and ensures that we regularly review those bodies that we are a member of and their alignment with our decarbonisation targets.

Be a compliant and ethical business in everything we do. (1)

Respecting the human rights of our customers and individuals in the communities we serve. (2)

Stakeholders



We want to be a stakeholder-focused business, where the views of our stakeholders are a key input to the priorities we set and the decisions we make.

We're committed to having an outward-facing focus, thinking about our stakeholders' roles, and listening to and acting upon what we hear.

We're committed to embedding this in a systematic and coordinated way in the way we do business, at all levels of our organisation.

Going forward, following feedback from stakeholders, we will highlight the progress we have made in supporting a fair transition in our annual [Responsible Business Report](#).

Below we set out some examples of how we will apply the fair transition principles, building on the feedback we received from our stakeholder engagement:

How we will work to apply the Fair Transition principles

Our environment



We will continue our engagement with communities early and meaningfully in the planning process, with the aim to lead the development of innovative approaches that enhance natural resilience.

We will continue to share our knowledge with others to support them in making the energy transition. We already work with the Green Grids Initiative, which supports countries around the world in accelerating the construction of grid infrastructure and decarbonisation of their energy systems. Through this initiative we share what we have learnt on our decarbonisation journey.

We connect our customers across thousands of miles. That leaves us with the responsibility to protect and restore the natural environment across the land that we manage and through delivery of our major infrastructure, both onshore and offshore. Our business has multiple interfaces with nature – presenting us with risks and opportunities. We are committed to developing our nature strategy and understanding how external drivers will influence our plans. When it comes to nature-based solutions, we highly value our community partners. We already work with knowledgeable partners within our localities, like the Wildlife Trusts. We will aim to increase our strategic partnerships to allow us to support conservation and provide further environmental benefits to our customers.

Our customers and communities



We will aim to continue our work with external organisations to support our commitments around affordability such as through our heating assistance funds in the US for those that most need help.

We will continue our engagement with communities early and meaningfully in the planning process, with the aim to lead the development of innovative approaches that enhance community resilience. This includes working to deliver a consistent community benefits framework that ensures local people secure real value for hosting critical net zero infrastructure. As part of this, in the UK, in our Delivering for 2035 policy paper we highlighted the need to put communities and customers at the forefront of the transition.

We will work to support skills development, job opportunities and wider education, particularly in traditionally underrepresented groups across our business through schemes such as Grid for Good.

In the US we will work with our communities through programmes such as Project C. We work in collaboration with our customers to create positive neighbourhood impact, strengthen communities and support job opportunities in New York.

Our people



We will work to continue to **create and publicise opportunities for green jobs and skills,** particularly by engaging and inspiring the next generation and reviewing opportunities to work in collaboration with other companies in the sector.

We will aim to ensure that we retain, retrain, and redeploy workers affected by our decarbonisation efforts, although we anticipate that the need to do this will be low due to the nature of our business.

Stakeholders



We understand the importance to stakeholders of hearing back from us following engagement. Within our own business management standards, we aim to communicate the output and action plan of engagement with all relevant stakeholders.

Our engagement on fair transition conducted with Sustainability First led to feedback to all stakeholders on what was heard and [their recommendations for the UK energy sector.](#)

Case studies and examples of the work we are undertaking across the business on how we are delivering a fair transition can be found in our annual [Responsible Business Report](#) and [fair transition webpages](#).

Conclusion

We believe that the role of energy networks is vital to enable the transition to a clean energy future and we anticipate that it may bring significant benefit and opportunity to the wider economy.

As we grow, we anticipate that we will need to create an organisation with the right skills base and diverse talent, and we expect that we will also help to create sustainable supply chains, advocate for change across the whole industry and enable the wider green economy.

We hope that this document provides a clear overview of our principles for achieving a fair transition for all. We will report on how we are doing in our annual Responsible Business Report and will periodically review these principles to ensure they are still fit for purpose, reflect best practices as it evolves and remain aligned to our wider commitments as a responsible business.

If you would like further information or to discuss anything in this document, please get in touch with us on the following email: fairtransition@nationalgrid.com.



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