

nationalgrid

Executive Summary

Responsible Business Report
2023/24



Responsible Business 2023/24 Executive Summary

Paula Rosput Reynolds
Chair



John Pettigrew
Chief Executive



Key highlights in 2023/24

11.8%
reduction in Scope 1 and 2 emissions (against our 2018/19 baseline)

£16bn
investment in infrastructure through The Great Grid Upgrade

Over the past 12 months, the energy sector has faced a complex landscape of macroeconomic and geopolitical challenges. High inflation and the ongoing cost-of-living crisis continue to be felt in both countries in which we operate, while geopolitical tensions across the world have continued to highlight the importance of energy security and affordability.

Against that backdrop, we have maintained our focus on being a responsible business, creating value for our stakeholders by enabling the energy transition, delivering for our customers, communities, employees and investors. It is part of our business strategy, underlining our commitment to decarbonisation of energy networks. The changes in the external environment and those within our business reinforce our vision: to enable a clean, fair and affordable energy future.

We continue to work on reducing our own impact on the environment; our environmental data shows a 11.8% reduction in our Scope 1 and 2 emissions against the 2018/19 baseline for our science-based target. Our value chain (Scope 3) emissions (excluding sold electricity) have increased by 0.8% against the 2018/19 target baseline. The increase in our Scope 3 emissions is principally driven by the associated emissions linked to our increased investment in new energy infrastructure. This infrastructure is critical to supporting the energy transition and continued investment could impact our ability to meet our targets – this is an area where government policies and regulations are essential.

Aside from our own emissions, the greatest impact National Grid can have on the clean energy transition is in building the necessary infrastructure to support the decarbonisation of the energy system. We have been planning for such an eventuality for many years. But at this point, planning for the future isn't sufficient – we are bringing the future into the present now.

In April 2023, we launched The Great Grid Upgrade in the UK, where we are deploying £16 billion from 2021–2026 to enable the grid to accommodate greater amounts of renewable energy, supporting the country's net zero goals. In December, we commissioned our Viking Link interconnector, the longest subsea high-voltage direct current transmission line in the world. This interconnection increases the UK's capacity to trade energy with our European neighbours and take advantage of the activity to develop renewables around the entirety of the North Sea.

In New York, we have announced approximately \$4 billion of investment to build and rebuild more than 1,000 miles of electricity transmission infrastructure. In Massachusetts, we have a number of transmission upgrade projects in flight and have recently submitted the Future Grid Plan.

As we build infrastructure across the UK and in the US Northeast, we will continue to work closely with policymakers and regulators on the policies and regulation to support our investments. We also recognise that we need to manage our impact on our customers and communities and support them with the transition to clean energy. In November 2022, we pledged around £65 million (£50 million in the UK and \$17 million in the US) to provide assistance to some of the hardest hit households over two years. We are on track to meet this commitment and have disbursed £41.1 million in the UK and \$8.9 million in the US of that respectively to date, supporting over 225,000 households in the UK alone. On customer satisfaction our scores are generally positive, but we recognise the need for further support in the US, particularly for customers facing higher energy bills.

In addition, we are helping to develop the future workforce. We are providing access to skills development opportunities for people from disadvantaged communities, as well as investing in attracting and retaining an inclusive and diverse workforce to help us tackle the challenges ahead and deliver the clean energy future. One of the areas where we haven't made as much progress is new talent. Our goal of achieving 50% gender diversity in our talent population by 2025 is intentionally challenging due to the timing of recruitment activities. While the year-on-year change from 30.8% in 2023 to 31.6% in 2024 is modest, the actual number of gender diverse talent has increased.

We pay our deepest respects to two of our colleagues and a police officer who were tragically lost in the past year fulfilling their job responsibilities. We all mourn the loss of these dedicated colleagues and will redouble our efforts to ensure that safety remains paramount.

The following report highlights the progress made in the last year against our refreshed 2023 Responsible Business Charter (RBC) and where there is more to do. We remain committed to being a responsible business and believe that by working together, we can continue to make progress towards delivering the energy transition now.

Paula Rosput Reynolds

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Chair

J Pettigrew

John Pettigrew
Chief Executive

Performance highlights

<p>Our environment</p> <p>11.8% reduction in Scope 1 and 2 emissions (against our 2018/19 baseline)</p> <p>£6.0 billion total green CAPEX per EU taxonomy in 2023/24</p> <p>3,030MW renewable energy connected in the UK and US in 2023/24</p>	<p>Our customers and communities</p> <p>18,907 people provided with meaningful skills development in 2023/24</p> <p>77,918 colleague volunteering hours</p> <p>49/75 Social Mobility Index (UK)</p>	<p>Our people</p> <p>81% employee engagement score</p> <p>53.8% diversity of Group Executive</p> <p>17.6% ethnic diversity of our management population</p>	<p>Responsible business fundamentals</p> <p>0.08 lost time injury frequency rate (LTIFR)</p> <p>99.9% total network reliability</p> <p>£39.7 million National Grid Partners investment in emerging technologies/research and development.</p>
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Top three material topics and Sustainable Development Goal alignment

<ul style="list-style-type: none"> 1 GHG emissions 2 Decarbonisation and the clean energy transition 3 Natural capital and biodiversity 	<ul style="list-style-type: none"> 1 Affordability 2 Social impact 3 Skills and employability 	<ul style="list-style-type: none"> 1 Diversity, equity and inclusion 2 Workforce development 3 Culture 	<ul style="list-style-type: none"> 1 Network reliability 2 Health and safety 3 Digitalisation and innovative technology
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Ratings and awards

<p>CDP DISCLOSURE INSIGHT ACTION</p> <p>CDP Achieved an 'A' grading (the highest) for our response to climate change for the eighth year running and achieved a 'B-' grading from our CDP Water disclosure</p>	<p>MSCI ESG RATINGS AAA</p> <p>AAA (highest score) for the seventh year running</p>	<p>ISS Corporate ESG Performance Prime</p> <p>Prime rating (C+), industry-leading score</p>	<p>WDI Workforce Disclosure Initiative</p> <p>Workforce Disclosure Initiative Awarded a score of 82%, representing the sixth year of participation</p>	<p>Equileap National Grid 2nd in the UK and 4th globally for gender equality</p>	<p>FTSE Women Leaders FTSE Women Leaders, top 10 best performers, 1st in Utilities, ranked 4th overall</p> <p>48.7% female representation at combined Executive Committee and direct reports (FTSE 350: 40% women in leadership target met two years ahead of target date. FTSE 100: 40% women on boards target met two years ahead of 2025 target date)</p>	<p>EQUALITY 100 HUMAN RIGHTS CAMPAIGN 2023 2024 Leader in LGBTQ+ Workplace Inclusion</p> <p>Human Rights Campaign Corporate Equality Index for 2023/24 100% score for the fifth year running</p>
<p>Sustainalytics RATED</p> <p>18.3/100 (Low Risk) in relation to experiencing material impacts from ESG and a strong score for management of impacts</p>	<p>FTSE4Good FTSE4Good</p> <p>Remained a constituent of the FTSE4Good Index</p>	<p>Social Mobility Index (UK) Ranked 49 out of 75 (up from 71 last year)</p>				

Our environment

We are committed
to delivering a clean
energy future



Further reading on how we're helping
the environment can be found on our
website at:

nationalgrid.com/responsibility/our-environment

To decarbonise the energy system, we must aim to upgrade the electricity and gas grid at a pace and scale not seen for generations. We are investing in essential infrastructure and growing our networks to connect new renewable energy sources and clean technologies, that will help decarbonise the economies in which we operate and support the clean energy transition. We know we can't do this on our own and are working closely with governments and regulators to put in place policies and regulations to accelerate progress.

In this pillar, we outline the action taken in the past year. In summary we have seen progress in reducing our Scope 1 and 2 emissions. Our Scope 3 emissions, however have increased. We also recognise the need for additional efforts to maintain our networks and minimise SF₆ emissions caused by emerging leaks.

This year, we refreshed our Climate Transition Plan (CTP) to incorporate our revised near-term GHG emissions reduction targets in our RBC in September 2023 and to reflect recommendations in the UK Government's Transition Plan Taskforce (TPT) released in October 2023.

Highlights

We are making progress against our GHG emissions targets to achieve net zero by 2050:

Scope 1 and 2 emissions from our environmental data for this year shows a 11.8% reduction against our baseline in our emissions from power generation and electricity network losses as we continue to decarbonise our network.

Scope 3 emissions (excluding sold electricity) for 2023/24 were 24,360 ktCO₂e, representing a 0.8% increase against our 2018/19 baseline. The majority of our Scope 3 emissions are from the gas and electricity we sell to our customers, with 71% related to gas sold.

We have reduced SF₆ leaks from our equipment and continued to focus on the development of alternative gases.

Although our emissions from business air travel are 15% lower than our baseline, we have seen an increase in air travel this year. As a transatlantic business we continue to balance the need for our teams to meet and collaborate with the use of technology to enable virtual meetings and conferences where possible.

We are committed to protect our natural environment

In the UK, Electricity Transmission business, we achieved a 3.2% improvement in environmental value resulting in a 7.8% overall improvement on our baseline. In the US, we focus on preservation of the natural lands that we own and manage rather than restoration. We have implemented various initiatives to achieve this, including the protection of rare, threatened, and endangered species, habitat preservation, and integrated vegetation management efforts.

We continue to invest in the decarbonisation of the future of energy

We delivered another record year of capital investment, we also reached a higher proportion of green capital expenditure capex. In 2023/24 around 78% (£6.0 billion) of our Group's capex aligned with EU Taxonomy principles for sustainable investment, compared with 75% (£5.6 billion) in the previous year.

We are adapting to a changing climate

Our approach to climate resilience, and addressing risks arising from global warming impacts is outlined in our Taskforce on Climate-related Financial Disclosures (TCFD) report available on pages 44 – 58 of our ARA. We comply with statutory reporting requirements, such as the DEFRA climate change adaptation reporting power in the UK, within the jurisdictions where our business units operate.

We continue to use resources responsibly

Water

We have an internally developed water quality standard and received a positive B- score from our CDP water disclosure. Our water consumption relates almost entirely to use for generation cooling purposes and abstracted water is not altered other than being slightly warmed by the process. This year, 1,139 million of cubic metres were withdrawn.

Waste

While we do not have a specific target for waste generated, we do, however, ensure waste is disposed of with appropriate environmental permits and is compliant with regulatory standards in the applicable regions. Alongside managing our waste responsibly, we also recycle, refurbish and reuse materials at asset recovery facilities in the UK and US.

Our customers and communities

We are supporting a fair and affordable energy transition



The content under this pillar details the work we have been doing to support our customers and communities as we deliver on the energy transition now. In summary, we have made progress towards our ten-year commitment for volunteering hours and skills development in communities.

Our customer satisfaction scores are generally positive, but we recognise the need for further support in the US, particularly for customers facing higher energy bills.

Highlights

We continue to support an affordable energy transition

To support increasing energy costs, in 2023/24 we delivered around £19.7 million from our Energy Support Fund in the UK and \$1.8 million in the US to help some of the hardest hit households over the winter.

We continue to accelerate social mobility in the communities we serve

In total, through our Grid for Good global community programme, we have upskilled 18,907 people across our two regions, with 6,012 in the UK and 12,895 in the US. Furthermore, we have provided skills development for 30,730 people in our communities, reaching 74% of our ten-year commitment of 45,000 people.

In the UK, we have enhanced our support for communities in areas close to our major infrastructure projects and operations. Funding to support community organisations and charities in areas where our work is impacting local people through operational and construction activities. The programme provides grants of up to £20,000 for projects that meet community needs by providing a range of social, economic, and environmental benefits.

We engage directly in our communities through volunteering

Across the Group, our colleagues have volunteered 77,918 hours this year with 30,836 in the UK and more than 47,000 in the US, supporting many great causes. Since the publication of the RBC we have achieved 36% of our ten-year group commitment of 500,000.

We act on the feedback we receive from our customers on the service we provide

We exist to serve our customers and communities with the energy they need for life across the UK and US.

This year, our UK ET customer score is 7.2 out of 10, this is below the target of 7.7. UK ET's score reflects a year of both challenging and encouraging developments in the connections landscape, seeing an increase in number of connection applications – driving higher numbers of required enabling works, in turn pushing out connection dates, which impacts customer satisfaction.

In UK ED we have delivered a high level of customer satisfaction with a score of 8.97 out of 10 – in year one, we enhanced our understanding of customer satisfaction drivers and made substantial progress in meeting our targets. We are actively seeking best practices across our license areas to develop solutions that can be implemented universally, establishing forums, for information sharing, conducted customer service training and learning from activities of other DNO's.

In the US, our Trust Advice score for 2023/24 is 55.8%, below our target of 56.7%. Customers continue to face high energy prices that negatively impact their sense of value, a key driver of Trust Advice. Scores are slightly lower in New England at 49.4% and New York at 59.1%, with bill payment concerns in both jurisdictions.

2023 also marked the first year in which NGV conducted Customer Satisfaction Surveys (CSAT) across each of the business units in NGV, and we have been pleased to see some excellent scores.

In the UK, our subsea electricity interconnectors scored:

85% IFA and IFA2
84% BritNed
89.5% Nemo¹

¹ National Grid is a 50% shareholder of BritNed and Nemo.



Further reading on how we're helping our customers and communities can be found on our website at:
nationalgrid.com/responsibility/customers-communities/supporting-affordable-energy-transition

We are building lots of infrastructure across the UK and US, to meet the energy needs of our customers and communities now and in the future. As we do this, we are mindful of our impact and have put in place activities to help our most vulnerable customers manage the costs of the energy transition. We are also providing access to skills development opportunities for people from disadvantaged communities to help develop the workforce of tomorrow.

Our people

We are building
the net zero
workforce



In this pillar we outline our efforts to support and empower our colleagues so we can play a pivotal role in delivering net zero while living our values. This year, our Group Executive team has expanded, resulting in increased diversity. Additionally, we have exceeded our goals for gender and ethnicity diversity representation in management ahead of schedule. However, we acknowledge the need for further progress in diversifying our Board and achieving our 50% gender diversity targets by 2025.

Highlights

We invest in our people and build the skills needed to deliver the clean energy future

Attracting, developing, and retaining a qualified and competent workforce requires training programmes that are robust, comprehensive, in line with local regulations and that create a career path built on safety and competence. Our global technical training programmes are delivered in the UK and US, at one of our nine training centres. Our colleagues completed 1,607,512 training hours – approximately 7 training days per employee.

We are proactively attracting, engaging and hiring people that reflect the communities we serve, with a focus on increasing ethnic and female representation in our workforce

Through streamlined recruitment processes, we have created a best-in-industry candidate experience with recruitment practices that drive DEI outcomes. Currently over 50% of our jobs are filled through internal promotions and moves, demonstrating our commitment to growing our colleagues internally. To deliver the energy transition, we also need new skills and capabilities, which means increasing external hiring. However, to support the energy transition and acquire new skills and capabilities, we recognise the need to increase external hiring.

We continue to create an inclusive culture, where it's safe to speak up and where our colleagues' voices are heard and understood by our Group Executive and Board

Each year our colleagues get the opportunity to share their views on working life at National Grid through our employee engagement survey, Grid:voice. The survey helps us to understand what we are doing well and where we need to improve across each business unit. This year we received over 24,000 responses, our highest completion rate to date.

Our employee resource groups (ERGs) play a vital role at National Grid. We are proud that 30% of our workforce, around 8,230 colleagues, are members of at least one ERG. Globally, our total ERG membership is 15,384, including colleagues who belong to multiple groups. ERGs create a sense of community, fostering an inclusive environment where individuals can be their authentic selves. In the past year, our ERGs organised 525 events. We also hosted our second annual Global ERG summit in New York in June.

We aim to lead the industry on colleague health and wellbeing

We aim to empower all our colleagues to prioritise their health and wellbeing, through healthy habits and by accessing available resources when needed. By doing so, we foster an environment where everyone can thrive together. This year, we introduced our Thriving Together Ambition, a framework aimed at creating a thriving work environment throughout our organisation.

We ensure all colleagues receive fair and equitable pay regardless of location, gender, ethnicity, or disability

We review gender and ethnicity pay gaps annually:

- In the UK, we remain an accredited Living Wage Foundation employer which demonstrates that we go beyond the Living Wage requirements, voluntarily paying our trainees the Living Wage.
- In the US all colleagues are paid above the statutory minimum and over the last year we have improved our base gender and ethnicity pay gaps.



Further reading on how we're developing our workforce can be found on our website at: nationalgrid.com/responsibility/people/investing-our-people-building-skills-clean-energy-future

Our 31,416 employees across the UK and US are the driving force behind our success. We invest in attracting and retaining an inclusive and diverse workforce, building on capabilities through training and equipping our people with the necessary skills and knowledge to perform their roles to deliver the clean energy future. In return, we aim to ensure our colleagues receive fair and equitable pay and that their health and wellbeing are always maintained.

Our responsible business fundamentals

We are committed to
being a responsible
business in our
operations



Every day, we safely and reliably connect millions of people to energy, prioritise resilience and operate responsibly. We aim to continue to deliver on what is expected of us and to be a compliant and ethical business in everything we do by promoting human rights, fair pay and ethical business practices. We invest in technology and governance, monitor security and risks and advocate for responsible business practices.

Within this section we cover the governance and other activities that are essential to operating our business the right way, everyday. This year, we maintained network reliability for our customers, updated our Code of Ethics, implemented a 'Speak up' policy, and launched an e-learning training programme to foster an ethical culture.

Highlights

We are committed to safety, reliability and efficiently connecting millions of people to the energy they use

The health and safety of all our employees remains paramount and, through our safety management processes and professionalism, we endeavour to mitigate risks and eradicate injuries to our workforce.

Sadly, in August 2023, a colleague from our UK ED team in Ludlow fell from height during overhead line work. In December 2023, a second colleague from our Waltham, Massachusetts gas business and a police officer in Waltham, Massachusetts were fatally injured by a vehicle driven at high speed by a member of the public. We have undertaken thorough investigations of both incidents and have shared the learnings from them across the entirety of National Grid's operations.

We are building resilience into our operations

Despite major weather events over the past year, we have maintained network reliability at over 99.9%. We are committed to building resilience into our operations through various activities. These include testing advanced automated technology, like Fault Location, Isolation, and Service Restoration (FLISR) to quickly address faults, digitising our Business Continuity Programme to identify operational dependencies and asset risks and developing long-term strategies to establish a high-performance data network that supports the energy transition.

We continue to influence our supply chain to operate as a responsible business

Suppliers must meet the minimum requirements in our Supplier Code of Conduct during procurement assessments. This code establishes expectations, values and principles for responsible business practices, including commitments to the real Living Wage, compliance with the Conflict Minerals Rule and the implementation of environmental strategies with measurable targets like GHG emissions reduction and waste management.

We are fair to our suppliers and committed to paying them promptly

We understand the importance of cash flow for our suppliers. Therefore, prompt payment for all goods and services provided is prioritised, adhering strictly to payment terms agreed upon at the outset of any contract or purchase order. We have demonstrated our commitment to this by signing up to the Prompt Payment Code.

We deliver against our Human Rights Policy to ensure that we promote and respect human rights of everyone working for us

In 2023, we introduced a separate Human Rights Policy to hold ourselves accountable to respect the rights of our workforce, our value chain and those impacted by our operations while providing a safe, secure and inclusive work environment. We also publish an annual Modern Slavery Statement, outlining our approach to mitigating the risk of modern slavery in our business and supply chain.

We continue to be a compliant and ethical business in everything we do

We maintain high standards of compliance and have established rigorous internal incident categories to drive the right behaviours and facilitate learning.

We continue to invest in developing technologies and innovations that benefit our customers and wider society

National Grid Partners, our venture capital and innovation arm, invested approximately \$20 million (c. £15.9 million) in three new portfolio start-ups this past year: ev.energy, HELIXintel and Modern Hydrogen. The companies help customers better manage electric vehicle charging, reduce energy usage and transition away from fossil fuels.

We continue to ensure we have appropriate governance in place to deliver our responsible business commitments

We are committed to achieving excellent standards of corporate governance and reporting in areas important to our stakeholders. Our Board, with support from five subcommittees, determines our strategic direction, objectives, purpose, values, culture and governance structure to promote long-term success and deliver sustainable shareholder value.

We continue to ensure security and risks, both cyber and physical, are appropriately monitored

We prioritise cyber security and data protection by implementing solutions which aim to protect our digital systems, manage vulnerabilities and ensure compliance with regulatory requirements and providing employee training on best practices.

We are committed to working with stakeholders and the wider industry to promote responsible business topics and advocate for action

Our approach on how we do this is detailed in our sections on stakeholder engagement, international engagement and responsible political lobbying.

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