

EEI and AGA ESG Report

This report has been developed in response to the desire of investors and other stakeholders for ESG/Sustainability information that is consistent across the sector in terms of accessibility, content, timing, and presentation. Companies that participate in voluntarily providing ESG/Sustainability information in this format share a common goal to provide investors with relevant information that:

- Allows integration of ESG/Sustainability data and performance.
- Provides clarity of risks (e.g., stranded assets, regulatory issues, etc.) and opportunities (e.g., investments in renewables, etc.) and how they are being managed.
- Provides insight into growth strategy, assumptions, and future trajectory.
- Provides both qualitative and quantitative information.
- Serves as a primary reporting channel for consolidated ESG/Sustainability information relevant to investors and other stakeholders.

This document is divided into two sections: (1) a set of quantitative metrics covering our US business only; and (2) a qualitative discussion outlining the Group's ESG/Sustainability strategy.

Quantitative metrics

Calendar year 2019 was selected as the baseline year for all tables listed in the EEI and AGA ESG/Sustainability Reporting template, due to the availability of information across our US operating companies. Data is reported on a calendar year basis for our US businesses unless otherwise noted.

Refer to the Excel Data Book in the [National Grid Responsibility website](#) for the quantitative disclosures.

Qualitative discussion

Introduction

National Grid plc is one of the world's largest investor-owned energy utilities, committed to being a responsible business in everything we do. It's enshrined in our purpose – to Bring Energy to Life. We do this by delivering the electricity and gas that our customers and communities rely on. We will always do this reliably, safely, and in a fair and affordable way for all.

At National Grid, we apply responsibility as a principle every day, by doing the right thing, finding a better way, and making it happen. Society expects it of us, and we know we can make a positive impact in doing so. We are dedicated to being world leaders in providing all our stakeholders with a clean and credible view of our environmental, social, and economic impacts. In response to interest expressed by investors and stakeholders, we are participating in the initiative led by the American Gas Association (AGA) and Edison Electric Institute (EEI) to promote consistency and transparency in sustainability reporting.

Responsible Business Strategy

Responsibility and transparency have always been important to us at National Grid. In 2019, we looked at where we can create the most positive impact on society. We adapted the way we manage our business responsibly, looking at everything from our strategic investment process to our role in the community and our business processes and policies.

Our responsible business strategy, as embodied in our [Responsible Business Charter \(RBC\)](#), is shaped by the expectations of our stakeholders and the application of a quantitative Total Societal Impact (TSI) methodology. These factors, in turn, have been shaped by sustainability-related trends, and the risks and opportunities these present. The RBC sets out those areas where we recognized a need to step up, and it sets out our ambitions and the more concrete commitments that will underpin how we will achieve them. It is important to emphasize that some issues have not been allocated 'commitments' in the RBC as they already are, and continue to be, top priorities (e.g., employee and public health and safety).

We have grouped issues into five 'pillars' and to ensure our RBC truly drives progress, our commitments are embedded into the business plans of each business unit through cascaded targets. Progress against these targets is assessed at the highest level through our Monthly Business Review (MBR) process and executives are held to account.

Five pillars of the Responsible Business Charter

Our material issues are categorized within five ‘pillars’, as illustrated in our Responsible Business Charter. We have made a series of commitments for each pillar along with ambitions to illustrate the steps we are taking.

The environment

Our commitments

While continuing to manage our environmental performance responsibly, we have emphasized the need to facilitate the transition to a clean energy system, to achieve net zero by 2050 for our Scope 1 and 2 emissions, dramatically reduce our Scope 3 emissions and continue to improve the biodiversity of land that we own.

- **Achieve net zero by 2050.** We will reduce Scope 1 and 2 greenhouse gas (GHG) emissions 80% by 2030, 90% by 2040, and to net zero by 2050 from a 1990 baseline¹.
Our Scope 1 and 2 target aligns to a well-below two degrees pathway consistent with the ambition requirements of the Paris Agreement and Science Based Targets initiative (SBTi).
- **Reduce Scope 3 GHG emissions for the electricity and gas we sell to our customers (making up 80% of our Scope 3 emissions) by 20% by 2030 from a 2016 baseline.**
Our Scope 3 target aligns to SBTi’s two degrees pathway. With SBTi moving to only recognize targets aligned to well-below two degrees and 1.5 degrees, we will continue to work closely with the team on this higher level of ambition, and work to have the Scope 1, 2 and 3 targets officially validated by the SBTi.
- **Reduce SF6 emissions from our operations 50% by 2030,** from a 2019 baseline.
- **Move to a 100% electric fleet by 2030 for our light-duty vehicles,** and pursue the replacement of our medium- and heavy-duty vehicles with zero carbon alternatives.
- **Reduce energy consumption in our offices 20% by 2030,** from a 2019 baseline.
- **Improve the natural environment by 10% on the land we own by 2030.**
- **Achieve zero carbon emissions from business air travel.** We will reduce our annual air miles travelled by at least 50% from a 2019 baseline on an enduring basis, and we will offset any remaining emissions responsibly.

¹ Our interim 2030 target is science-based (80% by 2030 is the equivalent to 50% from a 2016 baseline)

Our people

Our commitments

While continuing to ensure our people are kept safe and healthy, and that work conditions meet their expectations, we are stepping up our efforts in relation to diversity and inclusion – focusing on fairness in pay and opportunity, transparency, and training around issues of gender and ethnicity.

- **Be as transparent as possible internally and externally on gender and ethnicity/ race.** This will include reporting on recruitment, promotion, progression and leaver rates by diverse groups. We will use this to spot trends and react accordingly.
To increase the overall proportion of our workforce from diverse backgrounds, we will set annual targets to increase new hires and promotions from diverse backgrounds.
- **Maintain fairness across the organization for pay and make sure our pay practices do not show bias. We will work until pay equity is achieved for our people.**
- **Achieve 50% diversity in our Senior Leadership group by 2025.**
- **Achieve 50% diversity in all our new talent programs by 2025.** We will work with charities, diverse colleges and universities, and organizations in the community to attract those from under-represented backgrounds.
- **Provide unconscious bias training to all our people over the next year.** We will continue our program of training to build awareness of cultural differences and understanding of the importance of diversity, and necessity of achieving equity and inclusion.

Our communities

Our commitments

While continuing to place public safety and network reliability and resilience as top priorities, we are focusing on the affordability and fairness of our service to the community and developing the skills of young people from some of the more deprived communities where we operate to help us in the clean energy transition.

- **Deliver energy in a fair and affordable way to the communities we serve.**
- **Play our role in ensuring no-one is left behind in the transition to clean energy.** The associated benefits should be enjoyed by all.
- **Report transparently on energy costs throughout the energy transition** - on average costs per household for our US electric and gas business.

- **Develop skills for the future, with a focus on lower income communities, providing access to skills development for 45,000 people by 2030.** Through upskilling young people with STEM² skills, we will positively impact lives and help to grow the future energy workforce needed to enable the energy transition.
- **Achieve 500,000 employee volunteering hours by 2030.** Through volunteering, our people will help equip the next and future generations to participate in the clean energy transition.

The economy

Our commitments

We are continuing to develop our infrastructure, invest in innovation that benefits our customers and wider society, and pay the right tax, as well as working to influence our supply chain to focus on diversity and responsible behavior.

- **Maintain reinvestment in our infrastructure and demonstrate the social benefits of our capital delivery programs.**
- **Continue to invest in developing technologies and innovations that benefit our customers and wider society.**
As part of our research and development activities, we established National Grid Partners (NGP), the utility industry's first Silicon Valley-based venture capital innovation firm. Through NGP, we have already committed to \$250 million of investment, which is being allocated towards defining a smarter, more renewable energy future.
- **Work across our supply chains to ensure that, together, we reflect the diversity of the communities we serve and respond to the economic needs of those communities.**
- **Continue to influence our supply chain to operate as responsible businesses.**
 - We are fair to our suppliers and committed to paying them promptly.
 - We are engaging with our supply chain to set carbon reduction targets through the Carbon Disclosure Project supply chain program.
 - We promote equal opportunities among our suppliers. Our expectations of them are in our Supplier Code of Conduct and Global Supplier Diversity Policy.
 - We encourage suppliers to sign up to industry standards, such as the FIR (fairness, inclusion and respect) commitment.
- **Meet or exceed the B Team Responsible ³Tax Principles.**

² Science, technology, engineering, and mathematics.

³ <https://bteam.org/assets/reports/A-New-Bar-for-Responsible-Tax.pdf>

Our governance

Our commitments

We will hold ourselves accountable on these commitments and ensure that stakeholder voices continue to be heard at the highest level, and that they influence our approach. We will ensure we maintain the highest standards of ethical conduct.

- **Continue to review and adapt our governance policies to reflect and support our responsible business commitments and ambitions.** We will apply a corporate governance model that supports all our responsible business commitments and ambitions and applies our responsible business framework to everything we do.
- **Continually review the company culture to ensure it is inclusive.** The Board will continue to monitor progress throughout the Group by using a culture scorecard standard, including the FIR (fairness, inclusion and respect) commitment and via direct employee engagement.
- **Listen to our people and ensure their voices are heard at Group Executive and Board level.**
- **Ensure the voices of all our stakeholders are heard and understood by the National Grid Board.**
- **Achieve 50% diversity in our Group Executive Committee**

Our vision for a fossil-free future

In April of 2022, we launched a path to a more affordable, reliable clean energy future that enables customer choice and combats the increasing threats of climate change. Our vision is to fully eliminate fossil fuels from our US gas and electric systems, enabling the customers and communities we serve to meet their heating needs without using fossil fuels by 2050, if not sooner.

Our plan for a fossil-free future rests on four pillars:

- Energy efficiency in buildings
- 100% fossil-free gas network
- Hybrid electric-gas heating systems
- Targeted electrification and networked geothermal

For more information visit: nationalgrid.com/fossilfree

Task Force on Climate-related Financial Disclosures (TCFD)

Climate change is the defining challenge of the 21st century and in our role as The Energy Transition Company we understand the critical role we need to play in navigating the change and uncertainty facing the economies we serve in reaching their carbon reduction targets. That change and uncertainty presents significant risks and opportunities to our business model that we manage with the due focus and attention required to enable the positive, responsible change needed by all of our stakeholders.

In this year's disclosure we have fully complied with the FCA listing rule LR 9.8.6R(b). Our climate-related financial disclosures are considered to be consistent with the TCFD's recommendations and recommended disclosures.

In reaching full compliance this year, we have refreshed our energy transition scenarios and completed the first stage of our comprehensive Group-wide assessment into the physical risks facing the Group under 2°C and 4°C scenarios, with the outcomes detailed in this disclosure. We have also published our first Climate Transition Plan, which provides greater detail and clarity on how we will achieve our emissions reduction targets.

You can read more about the Task Force on Climate-related Financial Disclosures and our wider sustainability activities and performance on pages 70 – 83 of our [Annual Report and Accounts 2021/22](#).

Additional Resources

At National Grid we believe businesses have a duty to contribute to society and the communities served. To find more about being a responsible business impacts everything we do please visit [National Grid - Environmental, Social and Governance](#).

[Responsible Business Charter](#)

[2021/22 Responsible Business Report](#)

[Climate Transition Plan](#)

[A Fair Transition: Our Approach and Engagement](#)