

Audit & Risk Committee report



Iain Mackay
Chair of the Audit & Risk Committee

Key activities during the year

- Monitored the adequacy and effectiveness of the internal control environment
- Reviewed and challenged key accounting judgements
- Provided oversight over risk management activities, including conducting Group Principal Risk (GPR) deep dives
- Considered audit and corporate governance reforms, including the FRC's Audit Committee and External Audit: Minimum Standard (the 'Minimum Standard') and the revised 2024 Code
- Reviewed our planned approach towards compliance with the Global Internal Audit Standards and Provision 29 of the revised 2024 Code

Composition

The Committee comprises three independent Non-executive Directors. The Committee held five scheduled meetings and two ad hoc meetings during the year to discuss the 2024 Rights Issue and our Finance Transformation Programme.

Committee members

Iain Mackay (Chair)
Jacqui Ferguson
Ian Livingston

Former Committee members

Jonathan Silver¹

1. Jonathan Silver stepped down from the Committee effective 5 July 2024.

I am pleased to present the Committee's report for the year ended 31 March 2025. During the year, the Committee has continued to assist the Board by assessing the integrity of financial, non-financial and climate-related reporting, and in monitoring the adequacy of the Group's systems of risk management and internal control, and the effectiveness of the external and corporate auditors.

The Committee has continued to maintain an extensive agenda, focused on the Company's audit, compliance and risk management processes. Key matters considered by the Committee across the year are set out on page 115. Members of senior management have attended the Committee's meetings across the year to present on key matters to ensure that the Committee is updated on the evolving landscape in which the Group operates. As Committee Chair, I have held meetings throughout the year with the external Lead Audit Partner, the CFO, the Group Head of Audit, the Chief Risk Officer and other senior management. The Committee reports to the Board on its activities at Board meetings, and Board members have access to the Committee's meeting papers and minutes. A joint meeting was held with the Safety & Sustainability Committee in September 2024 to discuss the Group's sustainability reporting and disclosure strategy.

Financial reporting and accounting judgements

The Committee has overseen progress made by management in the successful delivery of the Finance Transformation Programme and the embedding of new processes, technology and ways of working which continue to drive efficiencies and support the wider business.

The Committee has considered key accounting judgements made by management across the year. This has included accounting in relation to US environmental provisions, the disposals of both ESO and the remaining interest in National Gas, the classification of National Grid Renewables and Grain LNG as held for sale, and Community Offshore Wind on which a full impairment has been recognised.

External audit tender

We have spent time supporting management in its planning for an external audit tender. Our external auditor, Deloitte, was appointed in 2017 and we are required to undertake a tender during 2025 in order for any appointment to be put to shareholders at our 2026 AGM. The Committee provided input on management's plans and ensured the guidance in the FRC's Minimum Standard has been considered.

External Quality Assessment (EQA)

We were pleased that our Corporate Audit function received the highest rating from our EQA by the Chartered Institute of Internal Auditors (IIA) for its internal audit activity. We will continue to monitor management's progress on an ongoing basis and address further improvements.

Risk management and internal controls

The Committee undertakes a bi-annual review of our risk management processes, including the assessment of the effectiveness of our systems of risk management and internal controls. The Committee also provides oversight of the assessment of our GPRs and the mitigations and controls in place to ensure that they are managed within the risk appetite agreed by the Board (as detailed on pages 36 - 41). Members of senior management have attended Committee meetings to present 'deep-dives' on the GPRs within their business area across the year.

The Ethics, Risk & Compliance Committee (ERCC) supports the Committee in overseeing the implementation of the Group's risk management framework and assesses the Group's Principal Risks. The ERCC regularly reviews and assesses all risks, including cyber security, prior to updating the Committee. The Committee has considered cyber security risks twice during the year with no significant incidents causing business impact reported. National Grid remains vigilant towards all cyber security risks, including those arising from third parties. These risks are partly mitigated by email Data Loss Prevention (DLP) tools and governance controls related to what data is shared with third-parties. National Grid's Chief Information and Digital Officer (CIDO) and Chief Information Security Officer (CISO) regularly provide reports to the Committee and brief the full Board at least once per year on cyber security matters.

The Committee is responsible for reviewing the robustness of our internal control environment and reviews reporting on controls testing and assurance work over the Group's internal controls to provide comprehensive assessments of the internal control framework. These assessments are also reviewed as part of external audit. The Committee remains confident that review processes for the Group's internal controls provide reasonable assurance and that the sources of assurance have sufficient authority, independence and expertise. As Committee Chair, I reported to the Board in May 2025 on management's processes for monitoring and reviewing internal control and risk management and confirmed that no material weaknesses had been identified by the review and that systems and processes were functioning effectively.

The Committee has supported management in its planning for the implementation of Provision 29 of the revised 2024 Code which will require the Board to make a disclosure in our 2026/27 Annual Report and Accounts outlining the effectiveness of internal controls, including a declaration in relation to material internal controls. During the year, the Committee reviewed management's planned approach towards compliance, which is on track.

Iain Mackay

Chair of the Audit & Risk Committee

14 May 2025

Committee financial experience

The Board is satisfied that all Committee members are suitably qualified with recent and relevant financial experience and competence in accounting, auditing or both. Iain Mackay and Ian Livingston are qualified chartered accountants who are competent in accounting and auditing in accordance with the Code and the FCA's Disclosure Guidance and Transparency Rules. The Committee members collectively possess an appropriate and varied blend of commercial and financial expertise to assess the issues they are required to address. Further information on Committee members can be found in their biographies on pages 99 to 102. The Committee as a whole is deemed to have competence relevant to the sector in which the Company operates. For the purposes of the US Sarbanes-Oxley Act of 2002 (SOx), Iain Mackay is the Committee's financial expert.

Fair, balanced and understandable

In May 2025, the Committee reviewed this Annual Report and Accounts, having previously provided feedback on earlier drafts. The Committee concluded that the Annual Report and Accounts, taken as a whole, was fair, balanced and understandable, and provided the information necessary for shareholders and other stakeholders to assess the Group's position, performance, business model and strategy.

In its review, the Committee considered the financial and non-financial disclosures contained within the Report, including the TCFD (see pages 59 – 78). The Committee also considered the potential impact on forward-looking assumptions supporting going concern and viability assessments. In reaching its conclusion, the Committee considered that the following had been carried out which formed the basis of its recommendation to the Board:

- a full verification exercise to review the financial and non-financial content of statements made with supporting evidence;
- a comprehensive review by management, including Group Executive Committee members, to consider the accuracy and consistency of messaging and overall balance; and
- feedback from the Company's advisors, including the external auditor and remuneration advisor.

Significant issues and judgements relating to the financial statements

The significant issues and judgements considered for the year ended 31 March 2025 are set out in the following table. In addition, the Committee and the external auditor discussed the significant issues addressed by the Committee during the year. Further information can be found in the Independent Auditors' Report on pages 153 – 161.

| Matters considered | Factors and reasons considered, including financial outcomes |
|--|---|
| US environmental remediation provisions | <ul style="list-style-type: none"> • In September 2024, November 2024 and May 2025, the Committee reviewed the accounting for the £2.065 billion of environmental remediation provisions, including the judgements and estimates relating to the net £146 million of exceptional provision decreases relating to legacy New York manufactured gas plant sites and a discount rate change. The Committee discussed the Group's engagement with the Environmental Protection Agency, the New York State Department of Environmental Conservation, developers, community and other stakeholders in determining future remediation approaches. The Committee reviewed and approved the classification of the cost decreases related to these sites as exceptional in accordance with the Group's exceptional items framework and noted the environmental provision disclosures contained within notes 5, 26 and 35 to the financial statements. |
| ESO sale to the UK Government | <ul style="list-style-type: none"> • In October 2024, ESO was transferred into public ownership and began to operate under the National Energy System Operator's (NESO's) licence. The assets and liabilities of ESO were presented as held for sale in the half-year financial statements prior to completion of the sale. The disposal realised total consideration of £673 million that resulted in a £187 million gain on disposal classified as exceptional. The Committee reviewed the gain on disposal calculation and related disclosures in note 10 to the financial statements. The Committee approved the classification of the gain as exceptional in accordance with the Group's exceptional items framework. |
| National Grid Renewables and Grain LNG: held for sale assessments | <ul style="list-style-type: none"> • In September 2024, the Committee reviewed and agreed with management's evaluation that National Grid Renewables and Grain LNG had met the criteria to be classified as held for sale under IFRS 5 and that neither company should be treated as a discontinued operation, given they are not considered to be separate major lines of business or geographical areas of operation. The Committee further agreed with management that no impairment losses should initially be recognised on classification of National Grid Renewables and Grain LNG as held for sale in the half-year financial statements. • On 24 February 2025, we announced that we had agreed to sell National Grid Renewables US onshore renewables business for proceeds of approximately \$1.74 billion to Brookfield Asset Management and its institutional partners, including Brookfield Renewable Partners. The transaction is subject to customary consents and regulatory approvals and is expected to close in the first half of the financial year ending 31 March 2026. At the year-end, management assessed that a £31 million impairment loss should be recognised on remeasuring the NG Renewables disposal group to fair value less costs to sell and that it was appropriate to classify this loss as exceptional. No impairment losses were recognised in respect of Grain LNG. The Committee reviewed the results of management's impairment assessment of the National Grid Renewables disposal group and agreed with management's conclusions and the disclosures, within notes 5 and 10 of the financial statements. |

Audit & Risk Committee report continued

| Matters considered | Factors and reasons considered, including financial outcomes |
|--|--|
| Impairment of Community Offshore Wind (COSW) | <ul style="list-style-type: none">In March 2025, April 2025 and May 2025, the Committee considered the Group's investment in Community Offshore Wind (COSW) following the issuance of an Executive Memorandum by the US Federal Government in January 2025. The Executive Memorandum temporarily suspends offshore wind leasing and implements a review and pause of permitting. In light of these developments and further developments after the year-end which reaffirmed the view that offshore wind development is likely to be suspended for the foreseeable future, Management assessed that the Group's investment in COSW currently has negligible value and hence, a £303 million impairment should be recognised and classified as exceptional in line with the Group's exceptional items framework. The Committee carefully considered and agreed with Management's assessment and reviewed and approved the disclosures within notes 5 and 16 of the financial statements. |
| Disposal of remaining interest in National Gas (held through GasT TopCo Limited) | <ul style="list-style-type: none">In July 2024, agreement was reached to sell the 20% retained associate investment in GasT TopCo (the holder of the interest in National Gas) to the existing majority owners, a consortium of infrastructure investors led by Macquarie Asset Management following their exercise of the remaining option. The Committee reviewed the completion of the sale which took place on 26 September 2024. Based on the total sale proceeds of £686 million, the total gain on disposal after transaction costs was £25 million. The gain on disposal has been classified as exceptional within discontinued operations as disclosed within note 10 of the financial statements. |
| Application of the Group's exceptional items framework | <ul style="list-style-type: none">During the year, the Committee considered updates from management on the application of the Group's exceptional items framework which had been applied to certain events and transactions over the period, as set out in note 5 of the financial statements.For each item, the Committee considered the judgements made by management, including challenging when transactions were concluded as not qualifying for exceptional treatment.The Committee reviewed the disclosures relating to certain exceptional items, including the transaction and separation costs for the sale of National Grid Renewables and Grain LNG, the impairment of COSW, provisions for UK electricity balancing costs in relation to the ESO sale, and costs incurred relating to the Major Transformation Programme.Based on the reviews performed, the Committee was satisfied the framework had been correctly applied throughout the year. |

Financial reporting

Financial reporting and audit cycle



Going concern and viability

The Committee has continued to review the Group's viability and status as a going concern. This included reviewing the Group's Going concern statement and Viability statement (as set out on page 168 and page 93 respectively) and the supporting assessment reports prepared by management. The financial statements are prepared on a going concern basis such that the Company and the Group have adequate resources to continue in operation for at least 12 months from the date of signing the consolidated financial statements for the year ended 31 March 2025.

Statutory reporting framework policy

The Board has responsibility for the effective management of risk for the Group, including determining its risk appetite, identifying key strategic and emerging risks and reviewing the risk management and internal control framework.

The Committee, in supporting the Board to assess the effectiveness of risk management and internal control processes, relies on a number of Company-specific internal control mechanisms to support the preparation of the Annual Report and Accounts and the financial reporting process. This includes both the Board and the Committee receiving regular management reports, including analysis of financial results, forecasts and comparisons with the prior year, and assurance from both Corporate Audit and the external auditor, Deloitte.

During 2024/25, the Committee has been kept up to date with changes to legislation, guidance and best practice. In November 2024, the Committee received an update on current litigation matters as well as emerging risks to prepare for potential challenges.

In advance of its consideration of the full-year results, the Committee and Board received a periodic SOx report on management's opinion on the effectiveness of internal controls over financial reporting. This report detailed the Group-wide programme to comply with the requirements of SOx and was received directly from the Group Financial Controller.

In relation to the financial statements, the Company has specific internal control mechanisms that govern the financial and non-financial reporting process and the preparation of the Annual Report and Accounts. The Committee oversees that the Company provides accurate, timely reports of financial results and implements accounting standards and judgements effectively, including in relation to going concern and viability. Our financial processes include a range of systems, transactional and management oversight controls. Our businesses prepare detailed monthly management reports that include analysis of their results, along with comparisons to relevant budgets, forecasts and the previous year's results. Monthly business reviews, attended by the Chief Executive and/or the CFO, supplement these reports. Each month, the CFO presents a consolidated financial report to the Board.

Key matters considered by the Committee

In addition to the significant issues and judgements highlighted on pages 113 – 114, the Committee also considered the following matters during the course of the year ended 31 March 2025:

| Matters considered | Factors and reasons considered, including financial outcomes |
|---|---|
| Financial and non-financial reporting | <ul style="list-style-type: none"> • Monitored and reviewed the integrity of the Group's financial reporting and disclosures and other formal documents relating to its financial performance, including this Annual Report and Accounts. • Considered the financial and non-financial disclosures contained within this Annual Report and Accounts, and reviewed and challenged the appropriateness of estimates and accounting policies. • Reviewed management's updates on IFRS accounting standards, including the exposure draft on regulatory assets and regulatory liabilities, as well as impacts of IFRS 18 the new standard on Presentation and Disclosure of Financial Statements. • Recommended to the Board management's key accounting judgements and key sources of estimation uncertainty for the 2024/25 half-year and full-year financial statements and the filing of other reports with the SEC containing financial information. |
| ESG reporting | <ul style="list-style-type: none"> • Considered the application of mandatory ESG reporting contained within this Annual Report and Accounts, including the International Sustainability Standards Board (ISSB) standards. • A joint meeting was held with the Safety & Sustainability Committee in September 2024 to discuss the Group's sustainability reporting and disclosure strategy. • Received an update on the preparation of the Responsible Business and TCFD disclosures. This included reviewing the Group's climate-related financial disclosures, as disclosed on pages 59 – 78. • Received a report from Deloitte regarding conclusions from its limited assurance over the Responsible Business disclosures integrated within this Annual Report on pages 42 – 58. • Recommended to the Board the Responsible Business disclosures as included in the Annual Report and Accounts and other ESG disclosures for approval. |
| ESO separation | <ul style="list-style-type: none"> • Reviewed the controls and accounting judgements relating to the sale of the ESO. • Approved the valuation of the gain on disposal reported in the financial statements. • Approved the classification of the movement in the provision for UK electricity balancing costs as exceptional in accordance with the Group's exceptional items framework. |
| APMs and RPMs | <ul style="list-style-type: none"> • Reviewed and approved the key judgements relating to the Group's Alternative Performance Measures (APMs) and Regulatory Performance Measures (RPMs). • Considered the effect of the International Accounting Standards Board's new standard, IFRS 18, on the presentation of the Income Statement and how certain management-defined performance measures will be brought into IFRS scope. |
| Internal controls | <ul style="list-style-type: none"> • Received regular updates on progress towards the Group's annual US regulatory attestation. • Discussed with management its programme of work to further strengthen the maturity of the Group's risk and controls framework. • Assessed the Group's approach to cyber security as part of our Enterprise Risk Management process. • Advised the Board that the Group's internal controls operated effectively in respect of financial, operational and compliance controls. |
| Risk oversight and viability statement | <ul style="list-style-type: none"> • Received regular updates on actions being taken to monitor and manage risk in line with the Group's risk appetite. • Considered confirmations from each of the business units and functions that risks are managed appropriately and that external influences and matters outside of the Group's control continued to be considered in their assessments. • Received an ESG update on the Group's transition risks and climate change commitments. • Considered cyber risk and mitigation strategies across the Group. • Monitored the internal control processes, and reviewed and challenged the going concern and viability statements, including testing for reasonable worst-case scenarios. • Advised the Board that the Group's risk management processes were effective and provided sufficient assurance. |

Audit & Risk Committee report continued

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| External auditors | <ul style="list-style-type: none"> Received a report from Deloitte at each meeting, including updates on the status of, and results from, the annual audit process and monitored the approach, scope and risk assessments within the external audit plan. Considered Deloitte's reports to the Committee, including its reports on the 2024/25 half-year and full-year results. Held private meetings with Deloitte and maintained dialogue throughout the year. Assessed the professional scepticism, effectiveness and independence of Deloitte and provided oversight of non-audit services from Deloitte. Recommended the reappointment of Deloitte as the Company's external auditors to the Board to be recommended to shareholders at the 2025 AGM. |
| Corporate audit | <ul style="list-style-type: none"> Received regular updates on the 2024/25 corporate audit plan and any more significant findings, including themes and progress of actions identified, and approved the corporate audit plan for 2025/26. Considered the result of the IIA's EQA on the Group's internal audit activity; the Corporate Audit function received the highest rating, generally conformed, from the IIA. Approved the Corporate Audit Charter, which had been updated to reflect the evolving Global Internal Audit Standards. |
| Compliance, governance and disclosure matters | <ul style="list-style-type: none"> Reviewed and approved the updated Terms of Reference for the Committee. Received updates on ethics and business conduct, including whistleblowing, to support the oversight, management and mitigation of business conduct issues as part of the internal controls framework. Discussed the whistleblowing procedures in place and confirmed internal procedures remained effective, noting the communications and training programmes provided during the year to employees, including additional communications in relation to fraud and bribery. The Committee also receives regular reports from the General Counsel, Litigation and Chief Compliance Officer to ensure appropriate investigation procedures and reporting channels are in place. Received bi-annual updates on compliance with external legal requirements and regulations, including any non-compliance issues and steps being taken to improve compliance across the Group. |

Risk management and internal controls

Risk management

Effective risk management is key to achieving our strategic priorities. The Board is accountable for and approves the system of risk management, which includes setting risk appetite and maintaining the system of internal controls to manage risk within the Group. The Committee has delegated responsibility from the Board for the oversight of the Group's systems of internal control and risk management. This includes policies, procedures, and control activities to ensure compliance with relevant regulations and legislation, the appropriateness of financial disclosures, appropriate business conduct and the work of internal audit. As part of the framework, our values – do the right thing, find a better way and make it happen – help promote a culture of integrity. The Chief Risk Officer is responsible for establishing and maintaining the Group's risk management processes to ensure the effective management of risk. During the year, the Board provided oversight of the Group's Principal Risks (as set out on pages 36 to 41). The Committee, alongside the Safety & Sustainability Committee, provided oversight and challenge through detailed risk reviews to ensure that processes are in place to manage risk appropriately and effective reporting to the Board.

Internal control and risk management effectiveness

We continually monitor the effectiveness of our internal control and risk management processes to make sure they are effective, robust and remain fit for purpose. The monitoring and review process covers all material controls, including financial, operational and compliance controls. Effective controls are in place to reduce the likelihood of occurrence and impact of threats. Based on work conducted by the Committee during the year, the Committee confirmed to the Board that the controls framework provided appropriate assurance of the effectiveness of internal control and risk management frameworks and that the sources of assurance received from management had sufficient authority, independence and expertise to provide objective advice and information.

The Committee also monitors and addresses any material business conduct or compliance issues. The Certificate of Assurance process provides management's assurance to the Committee that all significant issues relating to the integrity and standard of risk management and internal controls systems across the Group have been effectively managed during the reporting period. The process operates via a cascade system from business unit and functional managers upwards to the Chief Executive and takes place annually in support of full-year results. This process captures any significant risk, compliance, ethics and control issues that have not been reported through other governance, assurance and reporting processes, and excludes relevant internal controls over financial reporting which are assessed through the separate SOx assurance.

Following a thorough review, the Committee confirmed that the processes provided sufficient assurance and that the sources of assurance had sufficient authority, independence and expertise. The Committee noted that no material weaknesses had been identified by the review and confirmed it was satisfied that systems and processes functioned effectively. The Committee Chair subsequently reported to the Board that management's process for monitoring and reviewing internal control and risk management processes continued to be effective.

The Committee is responsible for reviewing management's approach to comply with Provision 29 of the UK Corporate Governance Code and for identifying the material controls that, individually or in aggregate, are most effective in managing risks that could threaten the Company's business model, solvency, or liquidity. This work is currently underway and includes a comprehensive dry run and an integrated assurance approach to material controls, in preparation for the annual effectiveness assessment for the Company's year ending 31 March 2027.

Corporate audit

The Corporate audit function supports the Group's risk management and internal control processes. It maintains an independent and objective approach to evaluate and enhance process developments. Assurance work performed by Corporate Audit is conducted in accordance with the Institute of Internal Auditors International Professional Practices Framework (IPPF). The IPPF forms the foundation for effective internal audit practices. Based on the work performed by the IIA, it was determined that the Corporate Audit function generally conforms to all relevant principles of the IPPF with a high degree of conformance. The Committee remains satisfied with the quality, experience and expertise of the corporate audit function. The appointment of the Global Head of Audit is a matter reserved for the Committee. They have responsibility for the Group's Corporate Audit function, attend all Committee meetings and have access to the Committee Chair, and also meet with the Committee without management in attendance. The Committee regularly reviews progress of the internal audit plan, including the key themes being raised and the remedial plans in place alongside the closure of actions. The Corporate Audit Charter was reviewed by the Committee in November 2024 and March 2025. It was updated following the EQA to reflect the evolving Global Internal Audit Standards. The Committee has also been kept informed of the transformation of the corporate audit function as it seeks to remain ahead of strategic and technological developments, effectively meet future stakeholder needs and be equipped to deal with emerging risks.

External audit

The Committee is responsible for overseeing the relationship with the external auditor.

- Deloitte is the external auditor to the Company.
- Deloitte was appointed in 2017 following a formal tender process.
- Deloitte was reappointed for 2024/25 at the 2024 AGM.
- The Committee was authorised by shareholders to set Deloitte's remuneration at the 2024 AGM.
- The current Lead Audit Partner is Chris Thomas and 2024/25 was the third year of his term.

Following consideration of the auditor's independence and objectivity, the audit quality and the auditor's performance, the Committee recommended to the Board Deloitte's reappointment as external auditor for the year ending 31 March 2026. A resolution to reappoint Deloitte and give authority to the Committee to determine its remuneration will be put to shareholders at the 2025 AGM. The Committee considers that, during 2024/25, the Company complied with the mandatory audit processes and audit committee responsibility provisions of the Competition and Markets Authority Statutory Audit Services Order 2014. Given the independence and objectivity of Deloitte to date, the Committee remains satisfied with its performance and effectiveness, and considers its reappointment for 2025/26 to be in the best interests of the Company.

The Committee is responsible for considering whether there should be a rotation of the Company's external audit firm in order to ensure continuing quality and independence, including consideration of the advisability and potential impact of conducting a tender process. The Committee acknowledges the UK legal requirements relating to mandatory audit rotation and audit tendering, including the requirement to undertake a formal process after 10 years. In line with regulation, over the course of 2025/26, the Committee plans to initiate a competitive tender of the external audit contract with a view that the successful audit firm would be recommended to the Board for approval by 31 December 2025 and, subject to shareholder approval at the 2026 AGM, would be appointed as statutory auditor for the year ending 31 March 2028. The Committee considers that the timing of the re-tender is in the best interests of the Company as it provides sufficient time to allow an orderly transition in the event a new external audit firm is selected.

In undertaking the tender process, the Committee will consider in so far as practical the guidance on tendering set out in the FRC's Minimum Standard.

Additional disclosures will feature in our Annual Report and Accounts for the year ended 31 March 2026 to detail the work of the Committee, the selection criteria used and process followed for the tender work undertaken.

The Committee confirms its continued compliance with the Minimum Standard. Activities undertaken to demonstrate our compliance are described throughout this report. Transparency and accountability is encouraged across all of our financial reporting and auditing practices to build trust and promote the long-term sustainability of the Company.

Effectiveness, quality and performance

As part of the Committee's responsibilities, consideration is regularly given to the effectiveness of the external auditor to verify that the quality, challenge and output of the external audit process is sufficient. Throughout the year, the Committee looks at the quality of the auditor's reports and considers its response to accounting, financial control and audit issues as they arise. To maintain high levels of quality, the Committee reviews and challenges the external audit plan prior to approval.

The Committee regularly engages and receives the views of senior management and members of the Finance function in forming conclusions on auditor effectiveness.

Meetings are held around each scheduled Committee meeting, and outside the meeting cycle on a regular basis, between the Committee Chair and the external auditor without management being present, to encourage open and transparent feedback. The Committee members also meet privately with the external auditor at least twice per year.

During the year, the Committee:

- reviewed the quality of audit planning, including approach, scope, progress and level of fees;
- reviewed the outcome of recommendations from the Deloitte Insights Report (detailed below);
- considered the external auditor's performance against 11 Audit Quality Indicators covering aspects of the delivery of the external audit, including planning, resourcing, the use of technology, oversight and quality review; and
- confirmed that the Deloitte external audit process had been delivered effectively.

On an annual basis, the Committee receives an External Auditor Insights Report, a report summarising the financial reporting and/or internal control areas that, based on the results of the most recent audit, Deloitte considers management should prioritise during the year ahead. The report also includes management's responses to the recommendations, along with an update on implementation status of prior year recommendations.

Following the completion of the 2023/24 audit, management undertook a survey on the external audit process which sought the views of key stakeholders involved in the audit. The survey sought input on Deloitte's performance and National Grid's commitment to the audit and including questions on the following audit areas:

- planning and scope;
- robustness of the process;
- independence and objectivity;
- quality of delivery;
- quality of people and service; and
- understanding of the Company

Feedback from the survey was taken into consideration by Deloitte in the planning for the 2024/25 audit.

Audit & Risk Committee report continued

The results of the survey were shared with Deloitte and showed that Deloitte’s scores increased compared to the prior year following targeted efforts. The survey confirmed that:

- the audit had contributed to the integrity of the Group’s financial report;
- the relationship between Deloitte, the Committee and management continued to be effective; and
- Deloitte demonstrated an appropriate degree of professional scepticism, and its team possess the required level of skill and expertise to enable an effective audit.

Auditor independence and objectivity

The independence of the external auditor is essential to the provision of an objective opinion on the true and fair view presented in the financial statements.

The Committee considered the safeguards in place, including the annual review by corporate audit, to assess the external auditor’s independence. Deloitte reported to the Committee in May 2025 that it had considered its independence in relation to the audit and confirmed that it complies with UK regulatory and professional requirements, SEC regulations and Public Company Accounting Oversight Board (PCAOB) standards and that its objectivity is not compromised. The Committee took this into account when considering the external auditor’s independence and concluded that Deloitte continued to be independent for the purposes of the external audit and confirmed that this recommendation was free from third-party influence and restrictive contractual clauses.

Non-audit services

In line with the FRC’s Ethical Standard and to maintain the external auditor’s objectivity and independence, we have a policy governing Deloitte’s provision of non-audit services.

The cap on the total fees that may be paid to the external auditor for non-audit services in any given year is 70% of the average audit fees paid in the last three financial years.

The provision of any non-audit service by the external auditor requires prior approval by the Committee. A subset of services where, due to their nature, we believe there is no threat to the auditor’s independence or objectivity and have a value under £250,000 can be approved in advance by the CFO. These services are limited to:

- audit, review or attest services. These are services that generally only the external auditor can provide, in connection with statutory and regulatory filings, including comfort letters, statutory audits, attest services, consents and assistance with review of filing documents; and
- the provision of access to technical publications.

In any event, the Committee is provided with a list of all non-audit services to ensure that it is monitoring all non-audit services provided. Non-audit service approvals during 2024/25 principally related to comfort letters for debt issuances, the refresh of related debt issuance programmes and reporting accountant services.

External auditors’ fees

The amounts paid to the external auditors’ in the past three years were as follows:

| | | | |
|---------|------|-----|------|
| 2024/25 | 18.7 | 1.0 | 19.7 |
| 2023/24 | 18.9 | 4.0 | 22.9 |
| 2022/23 | 19.3 | 1.6 | 20.9 |

Total billed non-audit services provided by Deloitte during the year ended 31 March 2025 were £1.0 million, representing 5.08% of total audit and non-audit fees. In 2023/24, non-audit services totalled £4.0 million and included fees for Deloitte’s services on the Rights Issue (17.5% of total audit and non-audit fees).

Further information on the fees paid to Deloitte for audit, audit-related and other services is provided in note 4 to the financial statements on page 180.

Total audit and audit-related fees include the statutory fee and fees paid to Deloitte for other services that the external auditor is required to perform, such as regulatory audits and SOx attestation. Non-audit fees represent all non-statutory services provided by Deloitte.