

Task Force on Climate-related Financial Disclosures (TCFD)

Understanding the potential impacts of climate change

CA 2006 requirement	TCFD recommendation
Governance	
Section 414CB (2A)(a)	a) Describe the Board's oversight of climate-related risks and opportunities: pages 2 – 3 b) Describe management's role in assessing and managing climate-related risks and opportunities: page 3
Risk Management	
Section 414CB (2A)(b)	a) We describe the organisation's processes for identifying and assessing climate-related risks: page 9 b) We describe the organisation's processes for managing climate related risks: page 9
Section 414CB (2A)(c)	c) We describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management: page 9 – 14
Strategy	
Section 414CB (2A)(d)	a) We describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term: pages 10 – 14
Section 414CB (2A)(e)	b) We describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning: pages 10 – 14
Section 414CB (2A)(f)	c) We describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2oC or lower scenario: pages: 4 – 8
Metrics and Targets	
Section 414CB (2A)(h)	a) Our metrics used to assess climate-related risks and opportunities in line with our strategy and risk management processes: pages 15 – 16
N/A	b) Our Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions and the related risks: pages ## – ## and 15 – 16
Section 414CB (2A)(g)	c) Our targets used to manage climate-related risks and opportunities and performance against targets: pages 15 – 16

At National Grid, we recognise that our networks and operations are crucial to transforming the energy system in the jurisdictions where we operate.

We support the Paris Agreement's long-term goal to keep the rise in global average temperature by 2100 to well below 2°C above pre-industrial levels, and to pursue efforts to limit the increase to 1.5°C.

Over the past year, we have operated in a complex environment of economic and political uncertainty, with energy security and affordability remaining key priorities. As a responsible business, we respond to these expectations across our stakeholders. While UK policy continues to support clean power, affordability and system resilience are pressing challenges; in the US, New York faces affordability challenges and Massachusetts is behind on key climate targets.

We fully comply with Financial Conduct Authority (FCA) UK Listing Rule 6.6.6R(8) and align our climate-related financial disclosures with the TCFD's four pillars – governance, strategy, risk management, and metrics and targets, with 11 recommended disclosures under these pillars.

Additionally, we meet the climate-related financial disclosure requirements outlined in sections 414CA and 414CB of the Companies Act 2006.

Task Force on Climate-related Financial Disclosures (TCFD) cont.

Governance

The Board sets and leads the Group's climate-related strategy and goals, maintaining oversight of key risks and opportunities.

Responding to climate change and supporting the transition to net zero continue to be important considerations in shaping our strategy. The Board is responsible for setting the Group's climate-related strategy and goals, although delegates certain responsibilities to its Committees.

Board members bring a blend of skills and experience, including expertise in delivering sustainability and climate change strategies. Their backgrounds and executive experience, particularly in the energy sector, help ensure the requisite skills are available to support the Group's strategy and monitor climate-related risks and opportunities.

Several Board members, including Tony Wood, Martha Wyrsh and Earl Shipp, bring strong climate and sustainability experience. Martha, Chair of the People & Remuneration Committee, contributes extensive climate expertise from her leadership of a major international gas transmission business and her role in developing Vestas' US renewable energy operations. Earl Shipp, Chair of the Safety & Operations Committee, adds deep environmental and sustainability knowledge from his long career in the chemicals industry and service on the US Federal Reserves Energy Advisory Committee.

Tony Wood, Chair of the Responsible Business Committee, provides further sustainability and climate experience from senior roles in the aerospace and defence sector, including as CEO of Meggitt plc where he was responsible for leading the Group's sustainability strategy over a five-year period. This included overseeing the development of science-based targets for Scope 1, 2 and 3 emissions in line with the Science Based Targets initiative (SBTi). Other Board members including Paula Rosput Reynolds, Jacqui Ferguson and Jonathan Silver also bring relevant climate-related expertise. See pages ## – ## for information on the individual experience of Board members and page 98 for the Board's skill profile.

As set out on page ##, the Board Committees were restructured during the year. As part of the restructure, the Responsible Business Committee was established.

The Responsible Business Committee provides strengthened oversight of sustainability and climate-related matters, consolidating responsibilities that were previously dispersed across broader Committee remits. It now holds explicit responsibility for tracking the Group's ambition and progress against its sustainability and climate targets and commitments, meeting three times during the financial year.

As part of its mandate, the Committee oversees the Group Principal Risk (GPR) – Climate change mitigation, reviewing management updates, assessing risk-tolerance levels and monitoring the effectiveness of mitigation strategies. Climate-related risks and opportunities remain integral to the Group's decision-making and oversight. The Committee considers these matters across strategy, including explicit consideration of factors such as affordability pressures and fiscal constraints that may affect the pace of decarbonisation.

Prior to this change, climate-related matters were primarily overseen by the former Safety & Sustainability Committee, which met for the final time in May 2025, when the Committee reviewed progress against Scope 1 and 2 targets, discussed Scope 3 dependencies, and considered key external uncertainties, including policy, regulatory, technological and geopolitical factors.

In September 2025, the Responsible Business Committee and the Audit & Risk Committee held a joint meeting to review the Climate Change Mitigation GPR, including management's assessment of the risk against the Board's risk appetite and the effectiveness of existing controls and mitigation actions.

The Committees challenged whether the risk remained within appetite, noting increasing external pressures, and considered key risk drivers and interdependencies, including policy and regulatory developments, affordability and energy security considerations. The Committees also reviewed how climate-related risks are monitored and managed, including the use of key risk indicators, emissions projections and scenario analysis, and considered emerging risks such as climate-related litigation. In addition, the Committees reviewed the Group's approach to climate-related reporting and disclosures, ensuring that climate risks, dependencies and uncertainties are appropriately reflected in external reporting and governance arrangements.

The Board received three updates from the Chair of the Responsible Business Committee and one update from the Chair of the Safety & Sustainability Committee during the year to provide an overview of matters discussed at its Committee meetings. The Board also receives a Chief Executive and business update report at each meeting which includes quarterly reporting of climate change metrics such as GHG emission performance versus targets.

The Board considered climate-related themes across several sessions during the year, including as part of its strategy-focused offsite in January 2026, where wider energy transition, system resilience and long-term network investment priorities were discussed alongside affordability and regulatory considerations. Climate-related matters were considered within the context of the Group's strategic objectives, recognising the interdependencies between decarbonisation, security of supply and customer outcomes.

Prior to the Committee restructure, the People & Governance Committee reviewed the composition of the Board and its committees in the year, applying a Board skills matrix to ensure that the Board has an appropriate balance of skills and competencies, including climate change matters.

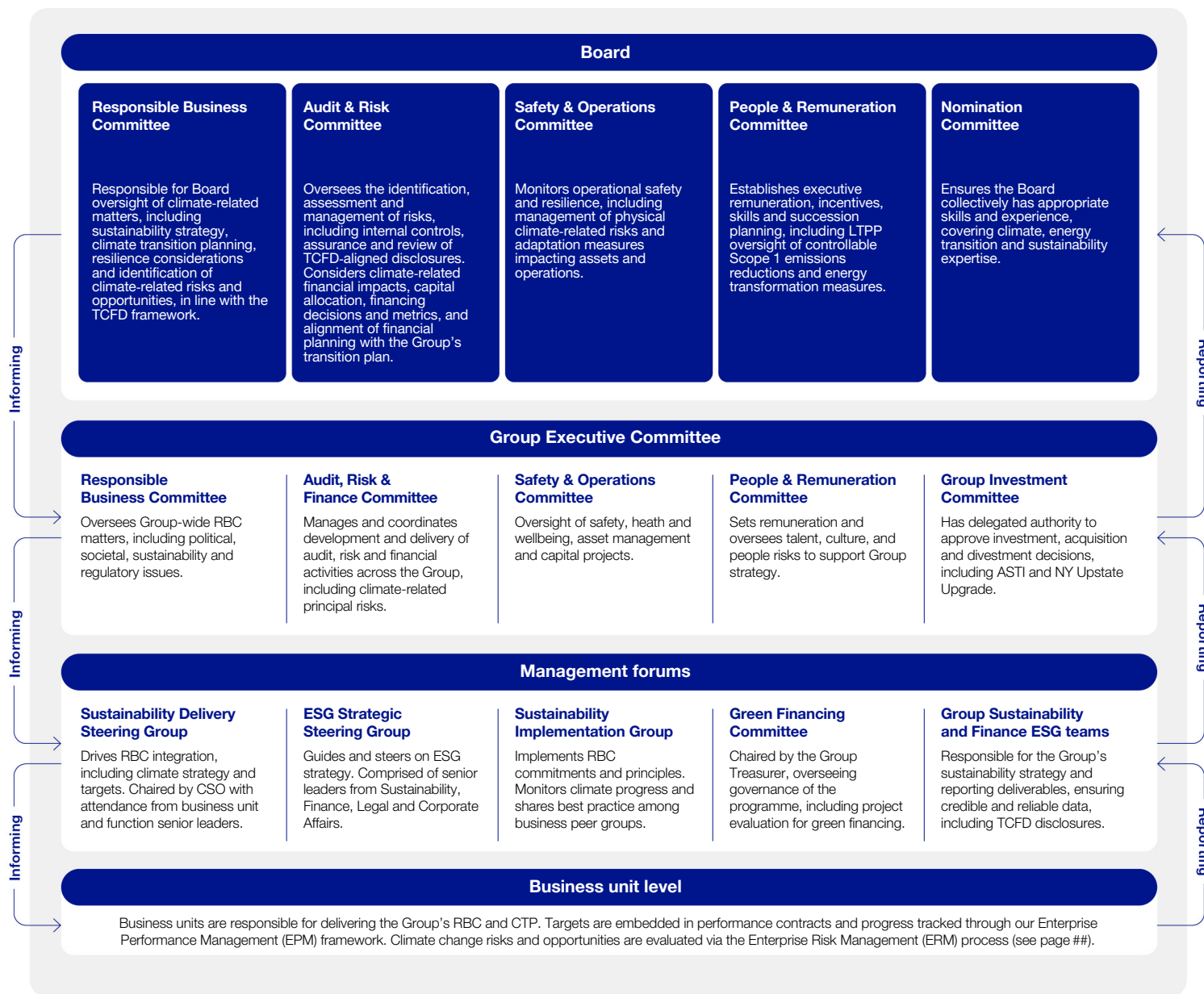
The Board also considers climate-related issues when reviewing and guiding annual budgets and financial decision-making, including major capital expenditure, acquisitions and divestments.

The remit of the Board and its Committees, as well as the number of times they met and discussed climate-related matters during the year, are set out on pages ## – ##.



Terms of Reference for the Board and its Committees are available on our website nationalgrid.com/about-us/corporate-information/corporate-governance

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Management's role

The Board delegates responsibility to management for asset management and maintenance planning, implementation of the net zero strategy and delivering climate commitments and targets. This is then considered at the relevant Group Executive Sub-Committee. These Sub-Committees were revised in the year to reflect the Board Committees and enable more streamlined reporting and clearer accountability of topics, including sustainability and climate change. Management is also responsible on a day-to-day basis for managing climate-related risks and opportunities, and for reporting on progress to the Board and its Committees.

Sustainability roles are integrated across the Group to help ensure a top-down, bottom-up response to climate. Our Chief Sustainability Officer (CSO) heads a team of subject matter experts who lead the implementation of the RBC across the Group, working closely with business units and functions to align strategy and operations with decarbonisation and climate resilience targets.

The team drives the Group's sustainability strategy, modelling potential climate scenarios and supporting the business to develop glidepaths aligned to GHG emission reduction targets. They also oversee progress on sustainable supply chain initiatives via the Supply Chain Climate Strategy Steering Group, collaborating with representatives from Global Procurement to develop decarbonisation levers through supplier engagement.

The Chief Engineer leads on climate adaptation and mitigation activities, assessing asset climate vulnerability and guiding investment to strengthen network resilience. Business unit Presidents are accountable for delivering net zero commitments.

Group Finance further supports sustainability ambitions through its ESG Centre of Excellence (CoE), Investor Relations and Treasury teams. The ESG CoE sets the Group's sustainability reporting strategy, overseeing credible and reliable reporting of mandatory and voluntary disclosures, as well as coordinating the provision of external assurance and ESG rating agency submissions. Investor Relations and Treasury attract green investment, engaging with debt and equity investors to communicate our climate strategy.

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Strategy

Our understanding of climate-related risks and opportunities informs our strategic decision-making, as we drive unprecedented levels of investment in energy networks.

The energy transition provides significant growth opportunities, and we are well-positioned to harness these, through enabling the transportation and distribution of clean energy to homes and businesses. Achieving this requires a major upgrade of our networks, and we are already delivering these improvements across the regions and jurisdictions in which we operate.

We proactively prepare and plan for the physical and transition risks linked to climate change. Through scenario planning, we assess a range of possible futures to understand the opportunities and risks in each, ensuring our strategy remains resilient and adaptable. Achieving our emissions reduction goals will be challenging without backing from policymakers and regulators.

This section summarises how we are responding to the main climate-related opportunity facing our business – the expansion of electricity networks to support the energy transition – and outlines how we use scenario modelling to evaluate climate-related risks and opportunities.

Investing to enable the energy transition

We expect to invest at least £70 billion across our regulated energy networks and adjacent businesses, in the UK and US, over the five-year period to 2030/31. Of this group capital investment, around 85% is considered to be aligned with the principles of the EU Taxonomy legislation as at the date of reporting (also referred to in this report as green capital expenditure), directly invested into the decarbonisation of energy networks.

Under our Green Financing Framework 2025, National Grid plc and its subsidiaries are able to issue green financing instruments to fund our efforts towards a cleaner energy system. Moody's provided a second party opinion on our updated Framework published in May 2025 and assigned an SQS1 sustainability quality score (excellent). See our latest Green Financing Report on our website, which details the issuance of green bonds totalling £1.2 billion in 2025/26, along with the allocation of proceeds and their environmental impact.

Having considered the climate-related risks and opportunities on pages 10 – 14, we expect our strategy and investment drivers to deliver strong growth (see page ## for further details). We continue to focus our business on electricity, with our most recent projections suggesting that over 80% of Group assets are expected to be electric by 2030/31.

Growth in clean generation and increased demand for electricity is driving a need for larger, smarter electricity networks, alongside ensuring existing energy networks remain resilient and reliable. We are connecting more new generation and load faster than ever before, enabling economic growth, bolstering energy security and supporting cleaner, affordable energy for our communities and customers on both sides of the Atlantic. This is a significant climate-related financial opportunity, and key activities we are undertaking to support clean energy supply and electrification are outlined on page ##.

As part of our strategy to focus on networks and streamlining our business, we completed the sale of National Grid Renewables, our US onshore renewables business, and Grain LNG, our UK LNG asset.

In seeking to achieve our net zero target and support decarbonisation, we will leverage our strong financial position and investment-grade credit ratings to finance key investments for net zero energy transmission and distribution.

Following the successful £7 billion Rights Issue in 2024/25, our balance sheet, backed by valuable assets and strong credit ratings, is flexible and well positioned for growth. We secure funding through borrowing and shareholder investments, adhering to regulatory rules, and closely monitor the financial health of our UK and US operations to maintain appropriate gearing ratios.

As asset growth and earnings become increasingly aligned, this will support shareholder returns while preserving balance sheet capacity. Beyond the next five years, we remain confident in our balance sheet strength and maintain a broad range of funding options, including substantial headroom in hybrid debt capacity, should it be needed.

We, alongside other network companies, have a unique role to play in supporting system decarbonisation. By building out the network of the future, we seek to enable the deployment of low-carbon energy supply to meet society's growing electricity needs while bringing down emissions. Our Climate Transition Plan, which is aligned with a 1.5°C scenario, identifies the policy and regulatory support required for future investments aimed at decarbonising the energy sector and reducing emissions. For our performance details against the CTP refer to pages ## – ##.

Scenario modelling

We use modelling to test how robust our Group strategy is to a range of future scenarios out to 2050. Our scenarios are used to inform our sustainability approach and assess progress against our climate target commitments.

Transition scenario modelling

Our transition scenarios out to 2050 are tailored to our UK and US business environments.

Our "Delayed" scenario represents a world with higher warming levels, where governments, industry and consumers do not pursue the transition at pace.

Our "Balanced Pathway" scenario sees approximately 2°C of warming, with the energy transition progressing at pace but supply chain, policy and cost challenges preventing our jurisdictions from hitting targets.

Our "Electric Net Zero" scenario sees approximately 1.5°C of warming, with governments and industry prioritising decarbonisation goals through supportive policies and regulatory reforms.

Our scenarios reflect possible actions and conditions within our jurisdictions; the associated °C ranges within our pathway titles are used as reference labels for external conditions, rather than implying corresponding global temperature outcomes, which depend on cumulative global emissions.

As part of our ongoing risk management processes, we continually monitor changes in the external environment and assess implications for our scenarios. While our modelling is subject to limitations, including data availability across other sectors, we mitigate these through the use of diverse sources and external scenario benchmarking.

Our scenarios are not intended as predictions, but as tools to enhance our understanding of potential climate-related risks and opportunities. Along with our strategic planning and risk management approaches, these scenarios guide us in identifying material climate-related risks and opportunities as set out on pages 10 – 14.

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Transition scenario descriptions, assumptions and inputs

Scenario: Climate change by 2100 vs. pre-industrial levels (approximate)

	Scenario	Targets	Macroenvironment and policy	Generation	Demand
UK assumptions	Delayed 2-4°C	– Decarbonisation progresses but is insufficient to meet net zero in 2050	– Geopolitics disrupts established trade flows, with supply chain impacts – Policy delays	– Wind and solar deployment continues slowly with thermal generation staying online longer to support load growth – Reduced opportunities for further interconnection growth beyond what is in the pipeline	– Total energy consumption reduces 18% by 2050 – Electricity demand increases 108% by 2050 – Gas heating dominates, with low uptake of heat pumps due to limited policy support – EV uptake stagnates due to cost
	Balanced Pathway 2°C	– Decarbonisation progresses but falls short of near-term targets with ~10-year delay to Clean Power 2030	– Geopolitical tensions continue, but with gradual recovery of supply chains – Policy incentives maintained with reforms over time	– Wind and solar deployment continues but misses targets, while gas for the power sector still has a role to play in the 2030s beyond the maximum 5% of power generation targeted in Clean Power 2030 – Interconnector projects progress at pace	– Total energy consumption reduces 31% by 2050 – Electricity demand increases 112% by 2050, mainly because of electrification of heat and transport, green hydrogen production and data centre expansion – Heat pump growth restricted to new build houses. Current houses converting off gas heating continues at current rates – EVs continue to grow at the current rate with the Zero Emissions Vehicles mandate in place
	Electric Net Zero 1.5°C	– Delayed achievement of Clean Power 2030, with economy-wide net zero by 2050	– Geopolitical tensions ease, with robust and diversified supply chains and increased international collaboration – Policy progress accelerates and supports increasing investment and target delivery	– Strong renewable expansion supported by distributed flexibility and storage, with some abated gas capacity providing dispatchable supply – Increased collaboration and coordination results in faster adoption of offshore hybrid assets and overall increased interconnectors	– Total energy consumption reduces 32% by 2050, as more efficient electric technology replaces combustion technology – Electricity demand increases 127% by 2050 with near-complete electrification of demand sectors such as heat and transport – Heat pumps mandated in existing homes as well as sufficient subsidy to support widespread adoption – Widespread EV adoption as policies achieve targets
US assumptions	Delayed 2-4°C	– Achieves ~50% reduction in energy-related emission from 1990 levels by 2050	– Policy prioritises affordability	– New gas infrastructure to address resource adequacy – No offshore wind added beyond what is fully permitted and currently under construction – Some large onshore renewables are added each decade as states continue to pursue renewable targets but at a delayed pace	– Total energy consumption reduces 22% by 2050 – Electricity demand increases 58% by 2050 – State subsidies are scaled back, resulting in low uptake of heat pumps – EV adoption stagnates in the near term driven by fewer federal incentives, although increases as costs decline in the 2030s
	Balanced Pathway 2°C	– Softening in decarbonisation targets, achieves ~60% reduction in energy-related emissions by 2050	– Softening in decarbonisation targets due to affordability concerns	– No new fossil units or major enhancements to existing plant, with limited gas repowering – Offshore wind stalls through 2035, then existing lease areas are gradually built out driven by energy needs, given no politically viable alternatives – Onshore renewables deployment increases steadily but roughly 10 years behind stated policy goals	– Total energy consumption reduces 36% by 2050 – Electricity demand increases 64% by 2050 – Heat pump adoption increases steadily as costs fall, capturing 45% of heat demand by 2050 – Slow adoption of EVs through the 2030s after Federal incentives end in 2025, with full competitiveness and growth upswing by 2035
	Electric Net Zero 1.5°C	– Clean electricity targets lag through 2035, but energy-related emissions achieve ~85% reduction in line with overall state emissions targets by 2050	– Policy prioritises clean power and decarbonisation	– Existing gas capacity retained for emergency back-up – New nuclear plays a larger role in decarbonisation – Offshore wind picks up in the 2030s becoming the leading source of electricity generation in the region – Onshore renewables deployment continues to meet the net zero goals	– Total energy consumption reduces 67% by 2050 – Electricity demand increases 78% by 2050 – Heat pump adoption increases with falling costs, capturing 70% of heat demand by 2050 – Widespread EV adoption in line with policy targets

Delayed 2-4°C

Represents a world where governments, industry and consumers do not pursue the transition at pace, meaning our jurisdictions miss climate targets.

Balanced Pathway 2°C

Energy transition drives forward at pace, but ongoing supply chain challenges, policy implementation delays, and short-term financial concerns mean our jurisdictions narrowly miss targets.

Electric Net Zero 1.5°C

Governments prioritise the achievement of decarbonisation goals through supportive policies and regulatory reforms, new load is met through clean power sources.

Task Force on Climate-related Financial Disclosures (TCFD) cont. Strategy

Transition scenario outputs

		UK				US NY				US MA			
Annual electricity demand, TWh	Delayed 2-4°C	285	129	180	594	152	37	42	231	54	18	21	93
	Balanced pathway 2°C	285	150	168	603	152	41	46	239	54	21	22	97
	Electric Net Zero 1.5°C	285	176	187	648	152	48	59	259	54	24	27	105

		US NY			US MA		
Annual natural gas demand, MMBTU	Delayed 2-4°C	2024	2035	2050	2024	2035	2050
	Balanced Pathway 2°C	815m (2024)	910m	994m	270m (2024)	301m	339m
	Electric Net Zero 1.5°C	815m (2024)	835m	699m	270m (2024)	270m	220m

Note: Using 2024 data for natural gas demand in New York and Massachusetts, as 2025 data is not yet available.

		UK				US NY				US MA			
Total renewable generation, TWh	Delayed 2-4°C	109	125	161	395	27	11	34	72	2025: 1.1	2035: 2.2	2050: 2.1	Total: 5.4
	Balanced Pathway 2°C	109	192	145	446	27	20	69	116	1.1	3.2	33	37.3
	Electric Net Zero 1.5°C	109	223	172	504	27	43	110	180	1.1	8.1	40.4	49.6

		UK				US NY				US MA			
Number of passenger EVs, millions	Delayed 2-4°C	1.8	10.7	19.5	32	0.3	1.5	5.3	7.1	0.2	0.8	2.6	3.5
	Balanced Pathway 2°C	1.8	13.2	17.0	32	0.3	2.2	4.7	7.2	0.2	1.1	2.2	3.5
	Electric Net Zero 1.5°C	1.8	14.8	17.7	34.3	0.3	3.0	5.6	8.9	0.2	1.5	2.7	4.4

		UK				US NY				US MA			
Number of residential heat pumps, millions	Delayed 2-4°C	0.4	2.3	11.3	14.0	2024: 0.08	2035: 0.35	2050: 0.49	Total: 0.92	0.13	0.24	0.27	0.65
	Balanced pathway 2°C	0.4	4.9	13.9	19.2	0.08	0.68	1.54	2.30	0.13	0.43	0.63	1.20
	Electric Net Zero 1.5°C	0.4	5.9	15.7	22.0	0.08	1.32	3.20	4.60	0.13	0.70	0.87	1.70

● 2025 ● 2035 ● 2050

Note: NY refers to New York State, MA to Massachusetts. UK Delayed and Electric Net Zero scenarios based on 2024/25 inputs. US NY Heat Pump numbers are based on 2024 data as 2025 data is not yet available.

Note: Graphics are not to scale.

Task Force on Climate-related Financial Disclosures (TCFD) cont. Strategy

Changes since last year

We have retained our scenario framework from last year, which presents a wide range of energy transition outcomes. They reflect the tensions or trade-offs governments may need to manage. We regularly update our Balanced Pathway scenarios for the US and UK. Our Electric Net Zero and Delayed scenarios are long-term outlooks and we do not update them as frequently. The inputs for our US Delayed and Electric Net Zero scenarios have been updated since last year to reflect market, policy and technology shifts, while the UK Delayed and Electric Net Zero scenarios remain consistent with our 2024/25 Annual Report. We will continue to monitor the evolving market, policy and technology landscape and consider any revisions to our UK Delayed and Electric Net Zero scenarios as appropriate.

Transition scenario insights

We assess the resilience of our business strategy against our transition scenarios, with a particular focus on the Electric Net Zero scenario, given the greater level of action required to deliver decarbonised energy systems. The following five transition insights are most relevant to a 1.5°C scenario.

1. Achieving energy transition targets depends on effective reforms to drive clean power deployment and policies that incentivise consumer uptake of low-carbon technologies

Policy interventions will continue to be a key enabler of the transition. Our ability to meet our own climate commitments relies on these. Government support for both supply-side and demand-side clean technologies is important to achieve policy targets. This extends to key enabling policies regarding connections, planning and permitting, as necessary preconditions for our jurisdictions to accelerate in line with targets. Without additional support, despite technology cost declines, there will be a financing gap for some clean technologies.

2. Electricity use and share of final demand will increase driven by consumer electrification and large demand customer growth (e.g. data centres)

As more consumers switch to electric vehicles and heat pumps, electricity demand will increase. Rapid growth of data centres and the rise of AI, alongside industrial electrification, is a potentially significant additional driver of demand. In the UK, we expect electricity demand to increase 50% by 2035 and more than double by 2050. In our states in the US, we expect an increase of around 30% by 2035 and more than 50% by 2050. These projections could increase if the pace of electrification accelerates, with the growth of AI and associated power needs a key variable. Rising electrification will continue to drive additional growth and investment in our electricity network.

3. Energy supply structure will continue to shift

Renewable capacity will continue to grow globally, to meet electricity demand growth and replace fossil fuel generation. Other low-carbon technologies are also seeing a resurgence in growth, including nuclear, with growing momentum for next generation technologies such as small modular reactors. Battery storage capacity and other flexible assets continue to advance, with some technologies already commercially scalable, and supporting system balancing and curtailment.

4. Pathways will adapt to global and local realities

Our governments continue to actively shape energy policy, and we expect to see different energy transition pathways across our jurisdictions. In the UK, the Government has continued to drive progress towards its Clean Power 2030 Action Plan, breaking further records in recent renewable auctions. In the US, the Federal Government remains focused on energy abundance, through natural gas and expanding energy infrastructure. Our states continue to pursue climate targets and policies, while seeking to balance these with other priorities including affordability.

5. CTP achievement will be challenging in slower scenarios

Our ability to achieve our climate targets is closely linked to the decarbonisation of the energy systems in the jurisdictions in which we operate. We have always viewed our climate targets as ambitious, and meeting our targets is contingent on a range of dependencies. Slower scenarios present greater challenges to meeting our targets, and in some we will not be able to meet our targets. Moving forward, we will continue to evolve and refine our approach based on progress and developments in the external landscape.

Conclusion

None of the transition scenarios tested materially threaten the Group's resilience, and we are well positioned to adapt our portfolio to maximise the opportunities of the energy transition, with no significant risk of a material adjustment to the carrying amounts of assets and liabilities in the next annual reporting period.

Further detail on the transition risks and opportunities identified in our scenario analysis, including estimated qualitative and quantitative impacts where applicable, can be found on pages 10 – 14.



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Physical scenario modelling

We use Group-wide climate scenarios to assess our vulnerability to climate change. These scenarios benchmark global progress toward limiting warming to 1.5°C in line with the Paris Agreement and evaluate how physical climate impacts – such as extreme weather and long-term changes in weather patterns – could affect our business.

Descriptions, assumptions and inputs

Climate hazard data is sourced from national climate assessments in the UK (UKCP18) and US (CMIP5). Scenario modelling uses the Intergovernmental Panel on Climate Change (IPCC's) Representative Concentration Pathway (RCP) of RCP8.5 (4°C) and RCP4.5 (2°C) across future decades (2030s–2070s), compared with 1981–2010 (UK) and 1976–2005 (US) baselines.

While climate projections are inherently uncertain – due to natural variability, model limits, and imperfect observations – these uncertainties should not delay action to mitigate or adapt to climate change.

Outputs

Most climate hazards are expected to become more frequent, with high temperatures and coastal and river flooding posing the greatest risk across our operations. Risks are generally higher in a 4°C scenario than a 2°C scenario.

Wildfire risk remains lower in our territories compared with areas such as the western US, but we have strengthened situational awareness and operating procedures. We recently completed a third-party wildfire risk assessment for our US jurisdictions and are in the process of initiating one in the UK, helping us identify vulnerabilities and develop mitigations.

We have advanced our physical risk analysis to guide strategic planning and investment. Our Climate Change Risk Tool (CCRT) uses geospatial capability to provide tailored physical risk assessments for each mapped business area while still maintaining a Group-level view. We aspire to further develop the CCRT to account for portfolio changes and incorporate additional infrastructure data points in areas like NGED, NGV and SI to refine our overall risk picture.

Climate Vulnerability Assessment (CVA)








Using CCRT insights, we conduct a Group-wide Climate Vulnerability Assessment (CVA) to evaluate how climate change could affect our assets over the coming decades. This is typically performed on a five-year basis, and we anticipate completing the next Group-wide CVA in 2028.

Understanding changing climate conditions and asset risk allows us to develop appropriate mitigations to protect existing assets and build climate resiliency. The CVA follows a phased risk-based approach to identify high-risk assets and develop adaptation plans. Outputs of the CVA process include business-specific vulnerability assessment reports, equipment specification updates, external engineering standards, asset policy changes, discrete investment projects and CCRT development.

Each business unit identifies critical assets vulnerable to climate hazards, accounting for existing adaptation measures and the latest climate science. Adaptations are locally developed to inform standards, capital investment, and broader industry alignment. Given that many of our assets have lifespans of 50+ years, future climate hazards must be considered upfront in planning to avoid premature asset repair or replacement. For example, a site not currently at risk of coastal flooding may become vulnerable within a decade based on climate projections. Understanding future climate hazards allows us to make informed design decisions and resiliency investments to protect our Group's assets and improve reliability for customers.

The Climate Resilience Working Group is attended by representatives from across our business units who meet monthly to discuss best practice, particularly related to climate assessments and response. Additional detail on our actions to anticipate and respond to climate-related disruptions is on page ## and information on business unit level assessments is on page 14.

The climate hazards most significant to us are summarised below.

Group-level critical climate risks	Vulnerability
<p>High temperatures and heatwaves</p> 	Risk of power failure, equipment overheating, warmer air temperatures contributing toward accelerated ageing, reduced capacity of transmission and distribution lines.
<p>Cold weather</p> 	Ice accretion overloading overhead lines, structural failure.
<p>Lightning</p> 	Risk of power failure, short-circuit faults, and equipment deterioration.
<p>Flooding/Erosion</p> 	Risk of power failure, accelerated asset corrosion, debris damage, equipment submersion and water infiltration, soil erosion.
<p>Extreme wind</p> 	Structural failure to overhead lines due to extreme wind exceeding design standard and vegetation contact.
<p>Risk descriptions</p>  <p>Chronic physical risk Gradual, persistent impact over a longer sustained period</p>	 <p>Acute physical risk Immediate, high-severity impact concentrated in a short period</p>

Task Force on Climate-related Financial Disclosures (TCFD) cont.

Risk Management

Climate change is fully integrated into our enterprise risk management framework.

Climate change and ERM

Climate change is a key Group risk factor and is fully integrated into our enterprise risk management framework. We consider both physical and transition risks, and their potential impact on our business operations, financial performance, and reputation. For more information on our ERM framework, which remains consistent with the prior year, please refer to page ##.

We manage two climate-related Group Principal Risks (GPR):

- 1. Climate change (mitigation GPR):** This risk aligns to the strategic objective Enable the energy transition for all, with a focus on delivering clean, decarbonised energy to meet our net zero goals (refer to page ##).
- 2. Loss of supply¹ (adaptation GPR):** Physical climate risks are incorporated into the Loss of supply control framework to support system resilience and the safe, reliable delivery of energy (refer to page ##).

This structure provides clear oversight and accountability – mitigating risk, and maximising opportunities – in line with Group risk appetite.

1. Significant disruption of energy was renamed to Loss of supply during 2025/26 to better reflect the nature of the risk, and reflect that upstream supply considerations are included as a key cause.

Other GPRs affected by climate-related transition and physical risks include Major capital programmes which become more significant in a 1.5°C scenario, requiring proactive management and intervention. Physical risks also contribute to our Significant safety or environmental event risk, reinforcing the need for robust safety and environmental disciplines. Acute physical risks are already occurring and are expected to increase in frequency and severity, with greater long-term impacts under a 4°C scenario.

We routinely horizon scan and track critical energy transition trends. We monitor key indicators and metrics against established thresholds and assess these against our strategy and business plans. Emerging risks are identified and managed through our ERM processes with outcomes shared, reviewed and challenged by senior leadership (refer to page ##).

Climate-related risk management is embedded across all levels of the organisation and follows the Group's established "Three Lines" model (see page ##).

Group Risk Taxonomy

The Group Risk Taxonomy enables the business to classify any climate change risk under four categories – strategic, operational, financial, and compliance – with more detailed sub-categories and assigned risk appetites. All GPRs are subject to a detailed annual review and treated as equally important and not prioritised.

Despite external pressures, our climate-related risk exposure remains broadly stable, with most risks within appetite. These risks primarily fall under our strategic and operational categories.

How we manage and monitor our climate-related risks

As part of our risk management process, we have defined key controls to manage both climate change mitigation and adaptation risks.

Mitigation controls align with our strategy and regulatory frameworks and extend across other relevant risks such as regulatory outcomes, political and societal expectations, and loss of supply. These key controls focus on tracking progress against targets, identifying transition-risk triggers, and implementing appropriate actions and solutions. Our material climate change mitigation controls include the following:

- **Business unit action plans:** These are designed to ensure each business unit can deliver climate change goals to support the delivery of Group emission reduction targets in line with our vision and strategy.
- **Governance:** Our top-down, bottom-up approach to sustainability governance across all levels of the organisation (described on page 54) drives performance and holds business units to account.
- **Responsible Business reporting:** We annually report on our performance, transparently documenting progress and dependencies against our commitments.

Assessing our climate-related financial risks and opportunities

Our GPRs are rated on a scale of 1 to 5 across financial, reputational, and likelihood categories. Financial ratings reflect increasing monetary impact, while reputational ratings range from "internal" to "international".

The overall indicative risk score is calculated by multiplying likelihood by the greater of financial or reputational impact, consistent with the stress-testing methodology used for our Viability Statement (page ##).

For TCFD disclosures, we build on this internal assessment of impact, timeframe and likelihood by incorporating market data and insights from subject matter experts across the Group. Short-term time horizons consider the current effects of climate-related risks and opportunities while medium- to long-term consider the anticipated effects.

We assess material climate-related risks and opportunities over short, medium, and long-term horizons, aligned with strategic business planning, investment and financial forecasting processes.

Conclusion

Our financially material climate-related risks and opportunities, along with how we measure and respond to them, are outlined on the following pages.

Across all pathways, including worst-case scenarios, none of the identified risks undermine the Group's resilience.

We remain well-positioned to adapt our portfolio and respond to opportunities from the energy transition.

Reducing uncertainty for uncontrollable risks through building resilience into operations and influencing regulatory outcomes remains essential.

Task Force on Climate-related Financial Disclosures (TCFD) cont. Risk Management

1. Transition Risk

Demand for natural gas is uncertain in long-term scenarios

Risk/opportunity

Policy and legal

Gas is expected to continue to play an important role across our US jurisdictions, including the gas assets we own and operate today. However, achieving net zero will require progressive decarbonisation of energy networks over the long term, with the future role of gas shaped by economic, technological, legal, policy and regulatory developments.

Over the next decade, natural gas demand is expected to remain robust, reflecting affordability and regional economic priorities. Over the longer term, net zero pathways assume increased electrification, including for heating, which would raise electricity demand and reduce gas consumption, with implications for the useful economic lives (UELs) and elements of our gas network assets.

Business units potentially affected:

NY and NE

Asset group(s) potentially affected:

Gas Distribution and Generation

Timeframe

Short Medium Long

Likelihood

Very Low Low Moderate High Very High

Measurement indicators:

- Gas UEL sensitivities
- GHG emissions
- CTP

Potential impact

Massachusetts and New York are pursuing accelerated decarbonisation pathways centred on electrification, which may reduce long-term demand for gas heating and shorten the UELs of certain gas network assets as policy, regulatory and planning frameworks evolve. Current regulatory frameworks continue to support capital investment, cost recovery and returns for gas networks to maintain a safe and reliable service, and while new customer connections may be constrained, there are no regulatory mandates requiring the forced conversion of existing gas customers.

State net zero pathways assume a rapid near-term acceleration in heat pump adoption, which is a key indicator of electrification and future gas demand. Achieving material reductions in gas reliance would also require significant investment in supporting electric infrastructure. However, recent setbacks to renewable energy development have increased delivery risk in Massachusetts and New York. The transition scenario outputs summary on page ## illustrates the KPIs relative to the accelerated deployment required under forecast transition scenarios.

More frequent cold weather events across New York and Massachusetts underscore the importance of resilient energy infrastructure. Given the likelihood of recurring extreme cold weather, many customers are expected to adopt partial electrification solutions, retaining gas connections for reliability and backup.

Full electrification scenarios appear challenging due to high costs, customers opting for gas, and existing challenges on the electric infrastructure to support increasing load in the short term.

We have performed sensitivity analysis to assess the impact on our Group financial results of shortening the UELs of our gas business assets, which for 2050 illustrates an unlikely worst-case scenario. Please refer to note 13 Property, plant and equipment for more details.

Our response

We support the decarbonisation of energy networks while recognising that gas is expected to continue to play an important, though evolving, role over the medium to long term, including through our existing gas assets, with its future role beyond 2050 dependent on economic, technological, legal and regulatory developments. In assessing the UEL of these assets, we consider multiple demand pathways reflecting customer behaviour, electrification pace and affordability, the potential role of low-carbon fuels, and jurisdictional net zero ambitions, noting that while New York and Massachusetts prioritise large-scale electrification, challenges remain in meeting near-term targets.

Notwithstanding long-term policy objectives, safety and reliability of the gas network remain key priorities for both National Grid and regulators. This is evidenced by continued regulatory support for targeted gas infrastructure investment, including approval of cost recovery and allowed returns where investment is required to maintain safe and reliable service. On 7 November 2025, the New York Department of Environmental Conservation approved permits for the Northeast Supply Enhancement (NESE) pipeline, which, while not Company-owned, will supply gas solely to National Grid and has been incorporated into our long-term planning assumptions. The December 2025 adoption of the New York State Energy Plan further signals ongoing regulatory recognition of the role of gas infrastructure in meeting system reliability and policy objectives.

Alternative pathways considered in regulatory proceedings could also support continued use of gas assets, including as a back-up fuel during peak winter demand or through lower-carbon fuels. Our US fossil-fuelled generation assets are currently expected to be materially depreciated by 2040, aligning with New York State's zero-emissions electricity target. However, due to system reliability needs, fossil-fuel generation assets may continue to operate beyond 2040. During recent extreme weather events, these assets provided critical system reliability, including increased steam generation during a winter cold snap and record daily output at the Northport plant during a late-June heatwave. As such events become more frequent, existing assets can continue to support grid resilience and climate adaptation.

Time horizons:

The timeframes we have used to assess the climate-related risks and opportunities are:

Short

Up to one year

In line with our annual planning and shorter-term budget process.

Medium

From two to ten years

Reflects our strategic business planning process period.

Long

Ten years plus

Aligns with our longer-term emerging risk assessment timelines, up to the date of our net zero commitment.

These time horizons largely align with our planning and forecasting process timelines, with some buffers to reflect the regularity of updating scenarios.

Likelihood:

Our likelihood assessment is an indicative estimate of the probability for material financial impacts with reference to the following categorisation:

Very Low Low Moderate High Very High

We use our ERM risk assessment scoring scale to categorise the likelihood of our climate change risks and opportunities.

Task Force on Climate-related Financial Disclosures (TCFD) cont. Risk Management

2. Transition Risk

Uncertainty in the extent of electricity demand growth

Risk/opportunity

Market, policy and legal

Electricity demand growth is projected in all scenarios, but there is uncertainty about the pace and scale of this growth. A wide range of factors may influence the trajectory, including political, technological and market trends, and associated rates of consumer adoption. AI adoption is forecast to drive electricity load growth, with data centres already a major contributor to growth in connection demand queues, but there remains uncertainty including scale of adoption and location. Electricity demand growth is a key driver of long-term network planning. This is further complicated by the growth of embedded generation and flexibility.

Business units potentially affected:

All

Asset group(s) potentially affected:

Electrical Distribution and Transmission

Timeframe

Short Medium Long

Likelihood

Very Low Low Moderate High Very High

Measurement indicators:

- Network reliability
- UK and US power networks
- Capital investment

Potential impact

It is important to accurately forecast demand to right-size the networks of the future.

If electricity demand is underestimated, there is a risk that the electricity transmission and distribution networks we operate may not be able to accommodate the scale of demand growth required to support the energy transition. This could result in National Grid slowing the pace of electrification and potentially affect both the reliability of our services and the delivery of our sustainability objectives, with financial and reputational risks.

If electricity demand is overestimated, there is a risk of over-investment in network assets, increasing energy system costs at a time when consumer affordability is strained. This would undermine the trust and confidence of both consumers and regulators, potentially damaging our reputation and credibility in the market.

Given this two-way risk would likely materialise over the medium to long term, it is not possible to reliably quantify this risk at this time.

Our response

It is important that governments continue to set clear policy commitments to provide strategic direction to National Grid and the wider industry. System planners and regulators play important roles in providing independent assessments of demand growth, and we continue to work closely with them to ensure our plans are flexible and responsive to changing needs. We undertake our own internal analysis, based on decades of experience in energy infrastructure development, to model different futures with varying electric demand growth. This is supported by close stakeholder relationships across wider industry and government.

In the UK, NESO has a central role in the strategic planning of Great Britain's energy system. Given the scale of electricity demand growth, we are delivering no-regret anticipatory investment to future-proof the network. In UK ET, we are making good progress through the ASTI regime created by Ofgem, and have integrated anticipatory approaches into our RIIO-T3 plan. Ofgem's RIIO-T3 Final Determinations include mechanisms to respond to projects that may be required by NESO's Centralised Strategic Network Plan. We are developing our business plan for RIIO-ED3, with tools and mechanisms to address uncertainty. Our DSO governance panel plays an important role in providing rigorous, independent challenge to our plans.

In the US, investment is prioritised based on system performance, engineering needs, and execution strategy, and we continue to deliver efficient solutions to enable electricity demand growth such as energy efficiency, demand response, and other non-wires alternatives. We regularly measure and report our network reliability across the transmission, distribution and interconnection network (refer to page ##).

Task Force on Climate-related Financial Disclosures (TCFD) cont. Risk Management

3. Transition Risk

There are several dependencies which affect our ability to deliver our commitments, including supply chain, talent and finance

Risk/opportunity

Reputation and market

We are playing our role in delivering an unprecedented transformation of energy systems, with associated delivery risks across areas within our strategic influence. These areas primarily include, but are not limited to, supply chains, workforce capability and access to capital. Our energy networks are critical to enable the flows of energy from cleaner generation to decarbonised demand, and delays to delivery could jeopardise wider societal decarbonisation goals. Assuming broader supportive and aligned external conditions exist, such as political, regulatory and technological, failure to effectively execute within areas under National Grid's strategic influence could result in reputational harm and market consequences. There may be reputational and market impacts if we fall short of our own ambitious GHG emissions targets.

Business units potentially affected:

All

Asset group(s) potentially affected:

Electrical Distribution and Transmission, Gas Distribution

Timeframe

Short Medium Long

Likelihood

Very Low Low Moderate High Very High

Measurement indicators:

- GHG emissions
- Network reliability
- Proportion of renewables in energy mix
- Customer satisfaction (US)
- Cumulative green bonds on issue
- Capital investment
- Supply chain engagement
- Employee engagement index

Potential impact

The external context in which we operate has evolved significantly, particularly across political and regulatory frameworks, technological developments, affordability considerations, and customer expectations. While these broader factors are captured within our Group Principal Risks, this transition risk scenario focuses on the potential reputational and market consequences arising from our execution across areas under National Grid's strategic influence. Assuming supportive external conditions, ineffective delivery could adversely affect stakeholder confidence, with implications for investors, regulators and other key stakeholders. Further detail on Group Principal Risks and related management actions is provided on pages ## – ##.

Our businesses in the US and UK both depend on, and compete in, a global market for materials and equipment, talent and green finance. To deliver at the pace and scale required, we need to purchase equipment, including assets with long lead times and constrained global supply in the right timeframes. We also need to compete effectively for talent, to deliver significant network reinforcement as well as maintaining a robust and reliable network. Attracting investment underpins our ability to deliver this reinforcement. It is crucial that we have investable regulatory frameworks with the right return on and of capital. These regulatory frameworks include incentives and penalties.

Our supply chain, talent and financing need to operate in conjunction to successfully deliver investments, and failure could result in materially lower financial performance, impacting our share price and EPS projections. It could also damage our relationships with our trusted stakeholders, including our investors, regulators and customers, and potentially position National Grid as an obstacle rather than an enabler in the energy transition. The wider economy is dependent on the energy sector to enable their decarbonisation plans, with the ability to connect to our transmission and distribution networks in a timely manner.

Given this risk would likely materialise over the medium to long term, it is not possible to reliably quantify this risk at this time.

Our response

Climate-related targets are embedded into our internal performance management and incentives, maintaining our focus on ensuring the supply chain, talent and financing is in place to deliver on our commitments. The Responsible Business section (pages ## – ##) sets out our progress against our Group CTP – our roadmap to a vision of reaching net zero. We continue to work closely with stakeholders, including regulators, to ensure policy and regulatory frameworks enable and facilitate our net zero plans.

We continue to deliver transformative new approaches to strengthen our supply chains. In the UK, building on pioneering initiatives including the Great Grid Partnership, in July 2025 we launched our c. £8bn Electricity Transmission Partnership to unlock long-term supply chain capacity and skills. In New England, we have established strategic contractor partnerships to accelerate timelines, reduce risk, and lower costs across over \$3 billion of planned capital work over the next five years. We also engage with our suppliers to establish action plans and commitments towards a Science Based Target (refer to page ##).

We have a strategic priority to 'build tomorrow's workforce today' to develop the skills we need to deliver on our ambitions. We continue to deliver strong entry level programmes for graduates, interns and apprentices, as well as proactively investing in leadership development. In 2026, we expanded our Construction Development Programme to include a Development Engineer Pathway aimed at individuals looking to re-skill and transition into the network development space within our Electricity Transmission business, and we launched Leading @ Grid, a global development programme to enhance senior leadership capabilities.

We work closely with regulators to get investable frameworks in place in all our jurisdictions, with the acceptance of the RIIO-T3 regulatory framework a significant milestone in March 2026. Our upgraded five-year financial framework provides a clear investor proposition, including an upgraded EPS.

Task Force on Climate-related Financial Disclosures (TCFD) cont. Risk Management

4. Transition Opportunity

Growth of clean generation and increased demand for electricity, even in our slowest decarbonising scenarios

Risk/opportunity

Market

Renewable generation projects are reorienting our system design, with power flowing from new locations across our networks. Electrification of heat and transport, alongside growing business electricity demand, such as data centres, offers significant growth opportunities in the UK and US. National Grid is well positioned to capitalise on these opportunities through our central role in connecting new sources of energy to end users via our networks.

Products and services

The evolution of the energy system will require innovative solutions to deliver expanded and decarbonised electricity networks, with National Grid leading the way to scale these technologies, benefitting our business and consumers.

Business units potentially affected:

All

Asset group(s) potentially affected:

Electrical Distribution and Transmission, NGV Interconnectors and NGP investment

Timeframe

Short Medium Long

Likelihood

Very Low Low Moderate High Very High

Measurement indicators:

- Network efficiency and reliability
- Renewable capacity additions
- Proportion of renewables in energy mix
- EU Taxonomy green capital expenditure
- Investment in research and development
- National Grid Partners investment

Potential impact

While the pace and scale of electrification growth is uncertain, the positive trajectory is clear, driving growth in electricity networks.

In the UK, the Government is supporting continued momentum towards its Clean Power 2030 Plan. Supply-side objectives are intertwined with ambition for uptake of decarbonised customer technologies including electric vehicles, heat pumps, embedded generation and storage. In the US, our states have established targets for clean energy supply and consumer electrification. The drive to cleaner energy in our jurisdictions requires the infrastructure to deliver it, underpinning our new five-year financial framework with cumulative capital investment of at least £70 billion.

Alongside expanding networks in our jurisdictions, we will need greater interconnectivity to match intermittent renewable generation to increased electricity demand.

Our response

To maximise these opportunities, we are delivering on our strategy to focus on networks and streamlining our business. In May 2025, we completed the sale of National Grid Renewables, our US onshore renewables business. In November 2025 we completed the sale of Grain LNG, our UK LNG asset. Our recently upgraded five-year financial framework projects capital investment of at least £70 billion across our energy networks from 2027 to 2031. This investment continues the Group's shift towards electric, with latest projections forecasting over 80% of Group assets will be electric by 2030/31.

In the UK, we are leading the largest overhaul of the electricity grid in a generation, doubling our investment in UK electricity networks relative to the previous five years. We expect to invest £31 billion in the next five years to 2030/31 in UK ET. Ofgem's Final Determination delivers a price control (running from 1 April 2026 to 31 March 2031) that enables networks to invest at the pace and scale needed to meet the ramp up in power demand, with plans to nearly double the amount of power that can flow across the country. This will help avoid constraint costs and ensure a resilient, clean and future-proofed network that will be critical to underpinning economic competitiveness and growth in the UK in the years ahead.

For UK ED, we expect to invest £9 billion in the next five years. We continue to deliver against our RIIO-ED2 business plan (ED2 price control period runs from 1 April 2023 to 31 March 2028), to ensure the readiness of the electricity network to unlock the potential for customers to electrify further and faster. We'll continue to engage customers and stakeholders as we refine and get ready to submit our RIIO-ED3 business plan to Ofgem in December 2026 for the ED3 price control period, which will run from 1 April 2028 to

31 March 2033. ED3 will be a critical period in transforming electricity distribution networks to achieve the UK's climate targets.

In the US, our well-developed energy transition scenarios have enabled us to submit credible rate case filings outlining the investments needed to deliver the energy transition. As part of our five-year financial framework to 2031, we expect to invest around £17 billion and £12 billion in our New York and New England regulated businesses respectively. In New York, we continue to make significant progress on the \$4 billion Upstate Upgrade programme, to deliver a smarter, stronger and cleaner energy grid. Our NIMO rate settlement for 2025 to 2028 was approved in August 2025, including investments to integrate renewables and reduce emissions from gas leaks. In New England, we secured approval for the cost recovery mechanism for our nearly \$600 million Electric Sector Modernization Plan, balancing customer affordability with the state's clean energy objectives. Gas has a foundational role in Massachusetts' all-of-the-above energy strategy. In January 2026, we submitted our rate case filing for Massachusetts Gas. These activities further enhance our role in delivering the energy transition, while helping to ensure energy security and sustainable affordability in the regions we operate in.

Our NGV business has planned capital investment of around £1 billion out to 2031. NGV is a leader in developing electricity interconnector projects to connect Great Britain with other European countries. By enabling cross-border electricity trade, interconnectors can displace fossil fuel generation in favour of renewable energy, reducing the CO₂e intensity of the energy mix, while generating revenue. Our current portfolio of six interconnectors provide 7.8 GW of capacity, allowing us to trade excess power – including renewable energy generated from the sun, wind and water – between different countries, and we estimate that by 2030, 90% of the energy imported via our interconnectors will be from zero-carbon sources. We are working towards expanding our portfolio of interconnectors, including LionLink, a first-of-its-kind interconnector connecting offshore wind to Great Britain and the Netherlands' electricity grids, and GriffinLink, a new multi-purpose interconnector project in partnership with TenneT Germany. In the US, NGV continues to develop opportunities, including its announcement in 2025 that it will install the world's first 100% hydrogen fuelled commercial linear generator at Northport power plant.

Our corporate venture capital arm, National Grid Partners, continues to invest in startups at the intersection of energy and emerging technology, allowing National Grid to benefit operationally and strategically as we scale them across our business and industry. Since its founding in 2018, National Grid Partners has invested more than \$550 million in startups advancing the future of energy; and it recently committed another \$100 million to artificial intelligence startups supporting a smarter, more resilient grid and boosting energy security.

Task Force on Climate-related Financial Disclosures (TCFD) cont. Risk Management

5. Physical Risk

Increased frequency of extreme weather events and long-term shifts in global climate patterns

Risk/opportunity

Acute

Our assets are at risk of physical impacts from increased frequency of extreme weather events such as storms and flooding, leading to asset damage and operational risks.

Chronic

Our assets are at risk of physical impacts from changing climate trends in the longer term, including increased frequency and severity of coastal flooding, high temperatures, extreme wind, wildfires and low temperature, exposing us to asset damage and operational risks.

Business units potentially affected:

All

Asset group(s) potentially affected:

Electrical Distribution and Transmission, Gas Distribution

Timeframe

Short Medium Long

Likelihood

Very Low Low Moderate High Very High

Measurement indicators:

- Network reliability
- Major storm costs
- CCRT outputs
- Research outputs from innovation projects
- EU Taxonomy climate adaptation capital expenditure

Potential impact

Under our US regulatory frameworks, major storm-related costs become recoverable in future years once deferrable criteria are met. In 2025/26, we incurred deferrable storm costs (net of allowances) which are eligible for future recovery of £39 million, but this did not exceed our pre-set \$100 million threshold to be excluded from underlying results. In the prior year, we incurred £87 million of deferrable storm costs (net of allowances) and consequently these were all excluded from our reported underlying results. Further details are provided on pages ## and ##. Cost recovery for other US weather-related events is included within the base rates set at the outset of each rate filing period.

In the UK, storm costs above predefined thresholds can be recovered through re-opener mechanisms within our price control frameworks, allowing adjustments to allowed revenues for severe weather-related expenditure.

At the end of 2023, Niagara Mohawk Power Corporation (NIMO) submitted its Climate Change Resilience Plan (CCRP) to the New York Public Service Commission (NYPSC), assessing the vulnerability of its electric infrastructure to climate-related risks. The study identified a capital investment of approximately \$243 million in resilience programmes over a five-year period (2026-2030), with cumulative investments projected to reach about \$566 million by the tenth year (2026-2035) and \$1.39 billion by the twentieth year (2026-2045). The revenue requirements for these resilience investments are expected to result in total bill increases of 0.02% in 2025/26 to 0.66% in 2029/30 compared to current rates across all service classes.

Subsequent modifications to the CCRP were submitted in December 2024 with an updated filing in February 2025. The CCRP programme timelines and budgets were revised following the NMPC FY26-28 rate case, with several projects deferred to support customer affordability. As a result, the FY26-30 CCRP budget was reduced from \$243 million to \$110 million.

Weather-related events are likely to become more frequent in line with the increasing likelihoods illustrated by the IPCC. Costs are expected to grow accordingly, including potential rises to insurance premiums to cover such events, unless climate adaptation is appropriately implemented.

Our response

Our Group-wide CVA leverages CCRT data analysis to identify long-term climate hazard risks to our energy infrastructure. We are utilising our findings to develop tailored climate change adaptation plans across our business.

In Massachusetts, efforts to produce a climate change resilience plan commenced in 2025 with collaboration among Massachusetts utilities and the state's Office of Climate Science. This plan, due to state regulators in September 2029, will identify specific mitigation actions across the state. While this plan is developed, we continue to address substation flood mitigation concerns at substations where flooding is identified as a risk. These resiliency projects total \$98.5 million and form part of the recently approved MECO rate case. We also continue to accelerate the installation of Fault Location Isolation and Restoration (FLISR) schemes to improve reliability and resiliency during storms across both New York and New England.

In the UK, ED responded to Ofgem's Sector Specific Methodology Consultation (SSMC) which included dedicated climate resiliency questions linked to the ED3 price control framework.

In addition, as part of our UK ET T3 business plan, we submitted a RIIO-T3 Climate Resilience Strategy as an annex to the main business plan submission.

We continue to invest in climate adaptation across the Group in the form of storm hardening and flood defences, with a further £79 million (2024/25: £57 million) invested in the year. Such investments should increase our ability to withstand disruptive events, and improve our organisational capability to reduce the magnitude and impact from such events.

Task Force on Climate-related Financial Disclosures (TCFD) cont.

Metrics and Targets

We disclose our GHG emissions metrics through our Responsible Business reporting, tracking performance and material climate change risks and opportunities.

Our approach to setting, reviewing and monitoring climate-related targets is embedded in our Climate change mitigation GPR on page ##, which outlines how we assess and manage the actual and potential impacts of climate change. Progress against each target is monitored using defined quantitative indicators, with performance reviewed through established risk management and governance processes.

Our greenhouse gas (GHG) emission reduction targets and other climate-related metrics are summarised on page 16, with performance analysis (including trends and year-on-year movements) provided in the KPI section on page ## and the Responsible Business review on page ##. The Responsible Business review also includes additional metrics and targets used by us to assess and manage relevant climate-related risks and opportunities. We also disclose industry-based metrics relevant to our business model and activities, and reflected in our SASB-aligned reporting on our website which helps inform our Responsible Business commitments.

Our emissions reduction targets have been informed by the objectives of the Paris Agreement and the jurisdictional commitments that flow from it, recognising that failing to play our role in delivering emissions reductions would risk undermining the wider decarbonisation goals of the

jurisdictions in which we operate. We are not subject to entity-specific legally mandated GHG reduction targets beyond regulated mechanisms to incentivise GHG reductions.

In the US, long-term policy frameworks such as New York's Climate Leadership and Community Protection Act and Massachusetts' Clean Energy and Climate Plan set out pathways to fossil-free energy systems by 2050, while in the UK the Government's Clean Power 2030 Action Plan signals an accelerated transition to a decarbonised power system. These commitments have shaped the ambition and timing of our targets and reinforce the importance of engagement with policymakers, trade associations and industry bodies, where responsible advocacy for enabling policy frameworks is critical to delivering both jurisdictional climate objectives and our net zero commitment (see page ##).

We continually monitor our climate-related metrics and targets to ensure that the data we measure is meaningful, aligns with our strategy, and provides the necessary information for effective performance monitoring and progress demonstration. By integrating these metrics into our financial Enterprise Performance Management (EPM) processes, it allows us to assess GHG reduction performance in the context of wider enterprise performance. Our annual Strategic Business

Planning cycle includes mechanisms to track business units' plans against our SBTi glide paths.

Our monitoring and reporting processes incorporate internal controls and a team of technical consultants reviewed our CTP publication for accuracy, consistency and any material discrepancies. We have been clear that we do not expect emissions reductions to follow a linear trajectory and a significant portion of our emissions are outside our control.

All of our GHG emissions are reported on a gross basis, and our primary focus is on decarbonising the business in line with a 1.5°C pathway. We do not assume the use carbon offsetting to meet our near-term science-based targets; however, we do use limited carbon offsets to support our emissions reduction efforts where emissions cannot be reduced further, in line with SBTi guidance and our internal carbon offsetting policy. The Group Carbon Offsetting Policy, revised in 2025 under the oversight of the Carbon Offsetting Committee, helps ensure offsetting is used only as a high-integrity complement to direct emissions reductions and requires a balanced portfolio across carbon reduction and removal projects, locations, technologies, storage durations, costs and co-benefits. All offsetting is governed by robust principles including additionality, permanence, transparency, independent verification and effective risk management to help ensure environmental integrity and value for National Grid.

Within our UK Electricity Transmission business, we collaborated with Housing Associations' Charitable Trust to purchase around 1,000 Verified Carbon Standard credits from achieved carbon reductions delivered through energy efficiency initiatives in low-income households, delivering wider social benefits to local communities. We also partnered with Forest Carbon to purchase approximately 14,000 UK-based Pending Issuance Units (PIUs) from a bespoke portfolio of woodland projects. These PIUs represent a promise to deliver a tonne of carbon dioxide equivalent in the future and support planning for the compensation of UK-based emissions, while delivering environmental co-benefits. Under the RIIO-T3 framework, our UK Electricity Transmission

business has Ofgem-approved funding of £16.17m to support further carbon compensation over the regulatory period. This funding is based on an assumed unit cost of £74 per tCO₂e, capped at 6% of NGET's business carbon footprint GHG emissions.

Details of Directors' remuneration, including the incorporation of climate-related considerations into executive remuneration and the proportion linked to such considerations in the current period, are set out in the Directors' Remuneration Report on pages ## – ##.

In addition to the metrics laid out on the following page, we have disclosed the proportion of IFRS revenue, operating expenditure and capital expenditure that align with the principles of the EU Taxonomy.

A significant proportion of our Scope 1 GHG emissions are subject to either a traded carbon price or a regulatory non-traded cost of carbon. These carbon prices are primarily applied through regulatory frameworks rather than as an internal shadow price for capital allocation. While carbon pricing has enhanced our understanding of the emissions implications of our activities, it has not materially influenced investment decisions to date, and we do not operate a single, Group-wide internal carbon price applied uniformly across our businesses. Carbon pricing is one of several tools we use alongside policy drivers, regulatory commitments, and carbon reduction methodologies, including the application of carbon weighting in tendering for construction projects.

On the next page we include our GHG emissions footprint, a key indicator against our climate-related risks and opportunities.



EU Taxonomy report



































Responsible Business data tables

Task Force on Climate-related Financial Disclosures (TCFD) cont. Metrics and targets

Index of climate-related quantitative measurement indicators¹

In the last year our emissions have risen, due to factors outside of our control and despite our efforts to reduce emissions where we have control. Refer to pages ## – ## for further details.

	2025/26	2024/25	2023/24
SBTi validated GHG emissions reduction targets			
Reduce absolute Scope 1 and 2 GHG emissions by 60% by 2030 ^{2,3}	(3.3)%	(4.4)%	(11.8)%
Reduce absolute Scope 1 and 2 GHG emissions excluding generation by 50% by 2030 ^{2,3}	(26.0)%	(14.7)%	(14.4)%
Reduce the carbon intensity of our power generation (Scope 1 GHG emissions) by 90% by 2030, and by 92% by 2033 ³	2.5 %	(36.7)%	(34.7)%
Reduce the carbon intensity of our power generation and sold electricity (Scope 1 and Scope 3 GHG emissions) by 86% by 2033 ³	(1.2)%	(18.3)%	(15.4)%
Reduce absolute GHG emissions for all Scope 3, excluding sold electricity, by 37.5% by 2033 ⁴	11.1 %	5.8 %	0.8%
Reduce absolute GHG emissions from gas sold by third parties by 37.5% by 2033 ^{4,5}	(9.6)%	(10.5)%	(17.6)%
Key climate-related metrics			
Scope 1 GHG emissions (ktCO ₂ e)	 5,001 	4,467 	3,988 
Scope 2 GHG emissions (ktCO ₂ e, location based)	 2,510 	2,955 	2,864 
Total Scope 1 and 2 GHG emissions ² (ktCO ₂ e)	 7,511 	7,422 	6,852 
Scope 3 GHG emissions (ktCO ₂ e)	 29,503 	28,435 	27,384 
Total Scope 1, 2 and 3 GHG emissions ² (full value chain) (ktCO ₂ e)	 37,015 	35,857 	34,236 
Intensity ratio: Scope 1 and 2 GHG emissions per million of revenue ² (tCO ₂ e/£m)	 425 	427 	345 
Climate change adaptation capital expenditure (EU Taxonomy aligned activities, £m)	79	57	30
Climate change mitigation capital expenditure (EU Taxonomy aligned activities, £m)	9,756	7,610	5,962
Group energy consumption from fossil fuel generation (GWh)	 19,317 	17,390 	14,375 
Group energy consumption from electricity systems line losses (GWh)	15,111	15,514	14,519
Group energy consumption excluding fossil fuel generation and electricity systems line losses (GWh)	 1,386 	1,916 	2,547 
Total Group energy consumption (GWh)	35,814	34,820	31,441
UK energy consumption from electricity systems line losses (GWh)	9,702	10,413	10,046
UK energy consumption excluding electricity systems losses (GWh)	276	790	1,297
Total UK energy consumption (GWh)	9,978	11,203	11,343
UK Scope 1 GHG emissions (ktCO ₂ e)	211	278	377
UK Scope 2 GHG emissions ² (ktCO ₂ e)	1,670	2,137	2,113
Total UK Scope 1 and 2 GHG emissions ² (ktCO ₂ e)	1,881	2,415	2,490

1. Refer to our Responsible Business Reporting Methodology (methodology) on our website for calculation details. Target year 20Yn indicates that the performance will be reported in the financial year that aligns with the year 20Yn/Yn+1. Our methodology applies the GHG Protocol operational control principle across all emissions and environmental metrics. Operations that are sold or disposed of are excluded from reporting from the year of exit. For this reporting year, this includes National Grid Renewables and Grain LNG. Further details are provided in the "Changes to global operations" section within our methodology and in Note 1 (Basis of preparation and recent accounting developments) to the consolidated financial statements. We report Scope 3 emissions across six categories within our current SBTi target boundary, as defined by the GHG Protocol. Our disclosed Scope 3 GHG emissions include GHG Protocol Scope 3 Categories 1, 2, 3, 5, 6, 7 and 11. Categories not listed are excluded as not material.

2. Includes Scope 2 location-based emissions only as line losses make up the vast majority of these emissions and we have limited renewable electricity certificates and other contractual instruments in place. 2024/25 excludes National Grid ESO.

3. Near-term target approved by Science Based Targets initiative (SBTi) and aligned to the Paris Agreement and a 1.5°C pathway. GHG targets are against a financial year 2018/19 baseline.


4. Near-term target approved by SBTi and aligned to a well below 2°C pathway. GHG targets are against a financial year 2018/19 baseline.

5. Third-Party Sold Gas, a US-only emission, are downstream emissions associated with the combustion of natural gas delivered through our network but sold by a company other than National Grid. This differs from Scope 3 Cat. 11 GHG Protocol guidance, which otherwise advises to consider only the end use of goods sold by the reporting company itself.

Note: The above data together with our Climate change – Scope 1, 2 and 3 emissions KPIs on page ## and "Absolute energy consumption in our flagship offices" on page ## is responsive to the UK Government's Streamlined Energy and Carbon Reporting (SECR) requirements. We have split out our Group energy consumption into constituent parts for greater transparency. Fuels consumed for power generation on behalf of LIPA, the contracting body is shown separately because energy consumption related to power generation can vary greatly year-on-year and is determined by LIPA. Amounts are presented in GWh, with 1 GWh=1,000,000 kWh.

 2025/26 data externally assured by Deloitte.

 2024/25 data externally assured by Deloitte.

 2023/24 data externally assured by PwC.

Please refer to the assurance summary on page ##.