nationalgrid

Green Financing Framework

May 2025

Green financing framework

Introduction

About National Grid

Who we are

National Grid plc is one of the world's largest investor-owned energy utilities, committed to delivering electricity and gas safely, reliably and efficiently to the customers and communities we serve. We sit at the very heart of the transition to net zero in the UK and northeast of the US and our assets play a key role in the decarbonisation of many high-emission sectors, including heating, industry and road transport, among others.

We recognise the significant changes needed to transition the energy system in a safe, reliable and affordable way. To do so, we are investing in our networks to deliver low carbon energy, and the issuance of Green Financing Instruments supports our efforts and reinforces our commitment to the energy transition.

Where we operate

United Kingdom

Our core, regulated businesses focus on electricity transmission and distribution.

Our UK Electricity Transmission (UKET) business owns and operates the high-voltage electricity transmission network in England and Wales. This includes connecting new customers, and delivering the major strategic infrastructure to enable a Net Zero grid through the Accelerated Strategic Transmission Investment (ASTI) framework.

Our UK Electricity Distribution (UKED) business owns and operates the UK's largest electricity distribution network, serving customers in the East Midlands, West Midlands, South West and South Wales. This includes a Distribution System Operator (DSO) which is overseen by an independent panel.

United States

Our core, regulated businesses focus on transmission, distribution and retail of gas and electricity.

In New England, we own and operate electricity transmission networks in Massachusetts, New Hampshire and Vermont. In Massachusetts, we also own and operate electricity and gas distribution networks.

In New York, we own and operate gas and electricity transmission and distribution networks across upstate New York. We also own and operate gas distribution networks in New York City and on Long Island. We act as a regulated supplier to over 4 million residential customers across gas and electricity.

Our US gas businesses are not part of the scope of this Framework.

National Grid Ventures (NGV)

NGV develops and operates large scale energy projects across the UK and US with a broad mix of energy assets and businesses. This includes six electricity interconnectors between the UK and Europe; Grain LNG (a Liquefied Natural Gas import, storage and regassification terminal in the UK); contracted thermal generation on Long Island in New York; Federal Energy Regulated Commission (FERC) regulated transmission in New England; and National Grid Renewables, our US onshore renewables business. In May 2024, we announced the sale of Grain LNG and National Grid Renewables as part of our evolving strategy to focus on networks and streamline our business. In February 2025, we announced an agreement to sell our National Grid Renewables business to Brookfield Asset Management. As of May 2025, we continue to progress the planned sale of Grain LNG.

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What we do

Transmission

Our transmission networks in the UK and US deliver electricity to homes and commercial properties via distribution networks, and directly to industrial properties. We also facilitate the connection of generation assets to the transmission system.

Distribution and supply

In the UK, we deliver electricity safely and reliably to millions of consumers connected to our distribution networks. In the US, we deliver both gas and electricity safely to millions of consumers, and we act as an energy supplier for many of our customers as well. Where they choose to buy electricity or gas from third parties, they pay us for distribution only.

Electricity interconnection

Interconnectors are high-voltage cables used to connect the electricity systems of neighbouring countries to allow capacity holders and system operators to trade excess power and balance supply and demand to maintain security of supply. National Grid operates six interconnectors linking Great Britain to France, Belgium, Norway, the Netherlands and Denmark.

System operation

In the UK and the US, we ensure that supply and demand are balanced in real time across our distribution licence areas.

Storage

In the US, we own and operate battery storage assets. This includes full scale systems in our regulated Massachusetts business and via NGV, as well as demonstration projects in our regulated businesses in both Massachusetts and New York. In the UK, our transmission license prevents us from owning electricity storage.

Generation

In the US, we own and operate approximately 3,800 MW of gas and oil-fired electric generation capacity located in Long Island, New York. Whilst the Group retains ownership of these assets, it sells all of the energy in response to dispatch requests, and any related ancillary services provided by the generating facilities, to the Long Island Power Authority (LIPA) via a Power Supply Agreement running until 2028. We also operate modern solar and battery storage projects with NextEra Energy Resources on Long Island.

Our business environment

Against a backdrop of political uncertainty and technological change we are delivering the energy infrastructure of the future, enabling the energy transition and economic growth in our communities.

How we are responding

- We will invest to enable the rise in electrification we expect to see across our regions and will advocate to manage an effective decarbonisation of our US gas networks.
- In the UK, we are delivering major transmission upgrade projects to connect more renewable energy to homes and businesses under the ASTI framework. We call this The Great Grid Upgrade, the largest overhaul of the electricity network in generations.
- In Upstate New York, we are investing to deliver over 1,000 miles of new transmission lines under the Upstate Upgrade project.
- NGV's 90 mile Propel NY energy electricity transmission project was selected by the New York Independent System Operator (NYISO) to connect offshore wind to New York. Propel will efficiently and cost-effectively deliver critical clean energy goals in one of the most urbanised areas on the planet enabling reduced network constraints and curtailment of generation, ultimately lowering electricity costs to consumers.
- Across our own operations, we have worked with the Science Based Targets initiative (SBTi) to align our near-term greenhouse gas emissions reduction targets to SBTi's 1.5°C pathway.

Green financing framework continued

National Grid's Sustainability Commitment

Operating our business with a strong focus on social and environmental responsibility is fundamental to the way we work. This approach is vital for creating sustainable and long-term value for our investors, meeting the needs of our stakeholders and making a positive impact on society. It also ensures that we maintain our social licence to operate. It means that sustainability is part of our business strategy and is embedded in our strategic priorities, as well as demonstrated through our actions on our commitments.

Strategic priorities

Enable the energy transition for all

We have a pivotal role in enabling the energy transition across all sectors of the economy through our networks. We work with policymakers, regulators and the wider industry to shape policy and regulatory frameworks needed to reach net zero by 2050.

Deliver for our customers

We will provide excellent service to all our customers, ensuring they can connect to the network in a timely fashion, that their energy provision is reliable and that we are easy to do business with.

Build tomorrow's workforce today

All of this is enabled by our people. The energy transition is happening right now, so we need to build tomorrow's workforce today, with the diverse talent and skills needed to deliver our vision. Our ambition is to be the employer of choice for people who want to have a career in a company where they can have a clear and positive impact on the energy transition.

Build the networks of the future now

We will scale a once-in-a-generation increase in capacity to connect to, and transport electricity across our networks. We will modernise our electricity networks to improve capacity, visibility, security and reliability.

We will deliver a sustainable transition for our US gas networks.

Operate safely and efficiently

Our priority is to keep our colleagues safe. Being efficient means we play our part in making the energy transition affordable by investing in the right projects and solutions, and delivering them on (or ahead of) time and budget.

Our Responsible Business Charter[1]

Our first Responsible Business Charter (RBC) was launched in September 2020 and was refreshed in September 2023 to ensure we remain focused on the topics that are material to us and our stakeholders, to keep pace with the external market and align to our portfolio so we can deliver against our commitments. Our role as a responsible business is at the heart of everything we do. It is enshrined in our purpose, embedded through our values and encompassed in our five strategic priorities.

[1] National Grid's Responsible webpage A Responsible Business | National Grid Group

Green financing framework continued

United Nations Sustainable Development Goals

We support the United Nations Sustainable Development Goals (SDGs), which are a universal call to action to end poverty, protect the planet and ensure all people enjoy peace and prosperity. The SDGs which are most material to our Responsible Business Charter commitments are SDG 5: Gender equality, SDG 7: Affordable and clean energy, SDG 8: Decent work and economic growth, and SDG 13: Climate action.

The diagram below shows National Grid's strategic pillars and alignment to the UN Sustainable Development goals:

Our environment

We impact on the following targets:

Affordable and clean energy

SDG 7.2 – By 2030, increase substantially the share of renewable energy in the global energy mix.

SDG 7.a – By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil fuel technology, and promote investment in energy infrastructure and clean energy technology.

Climate action

SDG Ambition Benchmark – Set science-based emissions reduction in line with a 1.5°C pathway.

SDG 13.3 – Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

Our customers and communities

We impact on the following targets:

Affordable and clean energy

SDG 7.1 – By 2030, ensure universal access to affordable, reliable and modern energy services.

SDG 7.a – By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.

Decent work and economic growth

SDG 8.5 – By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

SDG 8.6 – By 2020, substantially reduce the proportion of youth not in employment, education or training. While the deadline from the UN for Target 8.6 has now passed, we continue to focus on providing employment and training opportunities with a focus on individuals from disadvantaged communities.

Our people

We impact on the following targets:

Gender equality

SDG 5.5 – Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life.

Decent work and economic growth

SDG 8.5 – By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

Climate action

SDG 13.3 – Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

Responsible business fundamentals

We impact on the following targets:

Gender equality

SDG 5.5 – Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life.

Affordable and clean energy

SDG 7.1 – By 2030, ensure universal access to affordable, reliable and modern energy services.

SDG 7.a – By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.

Decent work and economic growth

SDG 8.5 – By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

Green financing framework continued

Managing performance against our RBC

The Board delegates to management responsibility for implementation of the net zero strategy and overseeing the development and achievement of RBC commitments and targets. Sustainability-focused roles have been embedded across the Group to ensure that, in addition to the top-down focus, there is also a bottom-up approach to addressing climate-related issues. Performance management of our RBC commitments is embedded into business unit monthly performance reviews, with a detailed review completed through a quarterly responsible business deep dive. Information about our business units can be found in our Annual Report and Accounts[2].

How we report on progress against our RBC commitments

Our annual Responsible Business performance reporting will be integrated within our Annual Report and Accounts from May 2025. The reporting includes details of our progress against our commitments within our pillars and showcases the activities we have underway across the business to help to deliver against them. Additional supplementary sustainability disclosures are available on our Responsible Business web pages that brings together our key reports, policies and performance against our RBC commitments. Transparent, public reporting on our activities, commitments and performance is embedded in how we do business at National Grid. This includes reporting our sustainability data and performance, in line with widely recognised reporting standards and frameworks[3].

Our Green Financing Framework supports our ambitions and commitments towards the environment and our efforts in tackling climate change. Our RBC outlines near-term GHG emissions reduction targets, validated by the Science Based Targets initiative (SBTi), whilst our Climate Transition Plan (CTP) outlines a credible pathway to achieve these targets. For more information on our commitments and ambitions under the RBC and CTP, please refer to the Responsible Business Fundamentals section of our website[4].

Alignment with the EU Taxonomy

Since our first voluntary EU Taxonomy disclosure in 2021/22, we have reported annually on our economic activities across the National Grid Group and the alignment with the EU Taxonomy technical screening criteria, including Do No Significant Harm (DNSH) and Minimum Safeguards (MS). As per our EU Taxonomy Report, we are among the largest FTSE investors in net zero initiatives. In 2023/24, approximately 78% (£6.0 billion) of our Group's capital expenditure is aligned with the EU Taxonomy, up from 75% (£5.6 billion) the previous year[5]. For a detailed breakdown of our results and supporting EU Taxonomy tables, please refer to our Sustainability reports and performance page[6].

2 National Grid's latest Annual Report and Accounts can be found at: PLC annual reports | National Grid Investor Relations

3 The 2023/24 Responsible Business Report, as well as National Grid's latest sustainability reports and performance can be found on our website in the ESG Reporting Centre: Environmental, Social and Governance | ESG reporting centre | National Grid Group

4 Responsible business fundamentals | National Grid Group

5 For details on our latest capital investment plans, please refer to our latest investor guidance: Welcome to National Grid Investors | National Grid Group

6 Sustainability reports and performance | ESG Reporting Centre | National Grid Group

Green financing framework continued

III. National Grid Green Financing Framework

Under our Green Financing Framework, National Grid plc and any of its entities[7] (collectively referred to as "National Grid") will be able to issue green bonds, loans or other financial instruments (collectively "Green Financing Instruments") to finance our responsibility efforts. The Framework aims to facilitate disclosure, transparency, and integrity of our Green Financing Instruments for our investors.

Framework Update

By updating its previous Framework, published in July 2021, National Grid aims to:

- Ensure a closer alignment with the technical screening criteria of the EU Taxonomy
- Review other criteria applicable to our US businesses' activities
- Remain consistent with shifting expectations, best market practices and the regulatory landscape

Rationale and scope of our Green Financing Framework

At National Grid, we recognise that addressing climate change is the defining challenge of the 21st century. Our networks and operations play a central role in the transition of the energy system in the jurisdictions where we operate. We are supportive of 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.

We are therefore investing in the decarbonisation of our networks, and the issuance of Green Financing Instruments supports our efforts and reinforces our commitment to the clean energy transition.

This Green Financing Framework is aligned with the ICMA Green Bond Principles published in June 2021[8] and the APLMA, LMA and LSTA Green Loan Principles published in March 2025[9]. We will communicate in a transparent manner on the four key components outlined by these principles:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

In addition, the Green Financing Framework is aligned, where possible and relevant[10], with the latest EU Taxonomy Delegated Acts[11] on Climate Change Mitigation and, for certain activities under the Electricity Networks category, Climate Adaptation.

As the green finance market continues to evolve, National Grid's Framework may be subsequently revised or updated to remain consistent with shifting expectations, best market practices and the regulatory landscape. Any material revisions will be accompanied by a new Second Party Opinion.

We have engaged Moody's to review and provide a Second Party Opinion on this Framework.

i. Use of Proceeds

An amount equal to the net proceeds from the issuance of the Green Financing Instruments will be used to finance or refinance, in whole or in part, expenditures of new or existing Eligible Green Projects from any of the Eligible Green Project Categories defined in the table below.

Each Operating Company of the Group has a dedicated Sub-Portfolio of Eligible Green Projects.

Types of Expenditures

Eligible Green Projects' expenditures are capital expenditures (CapEx)[12].

Look-back period

CapEx shall qualify for refinancing without a specific look-back period.

Eligible Green Projects qualify for refinancing as long as they are in operational use, follow the relevant eligibility criteria at the time of issuance and are still assessed as making a meaningful impact.

7 Defined as a corporate entity that is directly or indirectly, wholly, majority or otherwise jointly owned by National Grid plc. Note, our US gas businesses are not part of the scope of this Framework.

8 ICMA, Green Bond Principles, June 2021 (with June 2022 Appendix I), Green Bond Principles | ICMA

9 APLMA, LMA, and LSTA Green Loan Principles, March 2025: Green Loan Principles | LSTA

10 Subject to the alignment of the laws of England and Wales, New York, Massachusetts, New Hampshire, Vermont, and Federal Laws of the United States of America with the laws of the European Union, where applicable.

11 See Implementing and delegated acts - European Commission

12 Capital expenditure figures are calculated in accordance with IFRS.

Green financing framework continued

Eligible Green Projects Criteria

The key selection criteria of our Eligible Green Projects are their contribution to (1) the UN SDGs, (2) a safe, reliable and affordable energy transition, and (3) alignment to our pathway to net zero by 2050 as outlined in our Climate Transition Plan (CTP). The criteria responds to the overarching objective of climate change mitigation. Certain Eligible Green Projects under the Electricity Networks category also respond to the environmental objective of climate change adaptation. The Eligibility Criteria are consistent with the EU Taxonomy substantial contribution criteria, where possible and relevant[13] and on a best-efforts basis. In addition, we will also conduct 'Do No Significant Harm' and 'Minimum Safeguard' screening – please refer to page 11 below for further details. A flowchart, summarising the process by which projects are considered against the criteria, is also provided in the Appendix to this Green Financing Framework.

Eligible Green Category	Eligibility Criteria		EU Economic Activity[14]	Contribution to UN SDGs
Electricity Networks	Electricity transmission and distribution systems which serve the increased demand for electricity, enable the transition to low-carbon electricity, and ensure the reliability and security of electricity supply.			
	All capital expenditure incurred relating to electricity transmission and distribution systems is deemed eligible if the electricity transmission and distribution infrastructure and equipment **complies with at least one of the following criteria:** a. The system is the interconnected European system, i.e., the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems; b. More than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100g CO_2e/kWh[15] over a rolling five-year period; c. The average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value or 100g CO_2e/kWh[15] over a rolling five-year period. *Capital expenditure dedicated to creating or expanding a direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100g CO_2e/kWh measured on a life cycle basis is not compliant.*	**Share of Expenditure Eligible** 100%	4.9. Transmission and distribution of electricity[16]	7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 13 CLIMATE ACTION

13 Subject to the alignment of the laws of England and Wales, New York, Massachusetts, New Hampshire, Vermont, and Federal Laws of the United States of America with the laws of the European Union, where applicable.

14 Supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives, see here.

15 Measured on a life cycle basis in accordance with electricity generation criteria.

16 In line with the Technical Screening Criteria of the EU Taxonomy, Eligible Green Projects associated with equipment containing polychlorinated biphenyls (PCBs) are excluded.

Green financing framework continued

Eligible Green Category	Eligibility Criteria		EU Economic Activity[14]	Contribution to UN SDGs
Electricity Networks	In **cases where none of the above criteria a, b, or c applies,** the following electricity transmission and distribution activities are considered fully eligible: Electricity transmission and distribution infrastructure and equipment that **increase the share of low carbon electricity below the threshold of 100g CO_2e/kWh in our power network:** • Direct connection, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100g CO_2e/kWh[15] to a substation or network; • Equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation. Electricity transmission and distribution equipment and technology: • Transformers for overhead and underground service installed on both distribution and sub-transmission (transmission) systems[17]; • Equipment to increase the controllability and observability of the electricity system and to enable the development and integration of renewable energy sources. Electricity transmission and distribution smart technology: • Equipment such as, but not limited to future smart metering systems, able to carry information to users for remotely acting on consumption, including customer data hubs; • Equipment to allow for exchange of specifically renewable electricity between users. **Interconnectors** between transmission systems, provided that one of the systems is compliant. **Implementation of physical and non-physical adaptation solutions** that substantially mitigate the most important physical climate risks and bolster the resilience of our assets against chronic or acute weather and temperature-related events e.g. heatwaves, cold waves, frosts, storms, droughts, floods, etc. These include proactive preventative measures. Climate risk and vulnerability assessments will be undertaken and adaptation plans developed, where applicable.	**Share of Expenditure Eligible** 100%		
	For transmission and distribution capital expenditures in our US businesses that maintain or enhance our electricity networks but do not meet the above criteria, we apply the renewable energy capacity ratio (the "Green Ratio")[18] of the issuing company to pro-rate the amount of the eligible expenditure.	**Share of Expenditure Eligible** Pro-rated amount as determined by the Green Ratio		

17 For our businesses in the United States, such equipment complies with the US Department of Energy final rule, published 04 April 2024, regarding Energy Conservation Standards for Distribution transformers. This rule does not apply to substation type transformers.
18 See page 10 for more details on the Green Ratio.

Green financing framework continued

Eligible Green Category	Eligibility Criteria	EU Economic Activity[14]	Contribution to UN SDGs
Renewable Energy	Capital expenditure on renewable energy generation facilities that increases the installed capacity of low carbon electricity below the threshold of 100g CO_2e/kWh		
	Electricity generation from: • Wind power • Solar PV technology • Concentrated solar power technology	4.3 Electricity generation from wind power 4.1 Electricity generation using solar photovoltaic technology 4.2 Electricity generation using concentrated solar power (CSP) technology	
Energy Efficiency	Capital expenditure on equipment and measures that reduces energy consumption and improve energy efficiency		
	Storage of electricity: construction and operation of electricity storage including pumped hydropower storage	4.10 Storage of electricity	
	Facilities that **produce heat/cool using waste heat**	4.25 Production of heat/ cool using waste heat	
	Facilities that **produce heating/cooling from geothermal energy, and that have life-cycle GHG emissions lower than 100g CO_2e/kWh**	4.22 Production of heat/ cool from geothermal energy	
	Installation and operation of **electric heat pumps** for which the refrigerant threshold Global Warming Potential does not exceed 675, and energy efficiency requirements laid down in the implementing regulations under Directive 2009/125/EC are met.	4.6 Installation and operation of electric heat pumps	

Green financing framework continued

Eligible Green Category	Eligibility Criteria	EU Economic Activity[14]	Contribution to UN SDGs
Clean Transportation	Capital expenditure on infrastructure that is required for zero tailpipe CO_2 operation of zero-emissions road transport		
	Infrastructure for the operation of vehicles with zero tailpipe CO_2 emissions: • Electric vehicle charging stations and supporting electric infrastructure; • Electricity grid connection upgrades; • Hydrogen fuelling stations; • Electric road systems (ERS). Infrastructure and installations **dedicated to urban and suburban public passenger transport**, including associated signalling systems for metro, tram and rail systems.	6.15 Infrastructure enabling low-carbon road transport and public transport	
	Renewal of the Group's fleet by zero tailpipe emission vehicles (passenger cars, light commercial vehicles).	6.5 Transport by motorbikes, passenger cars and light commercial vehicles	

Exclusion criteria

Eligible Green Projects are net of:

- Customer contributions to construction (relevant for US projects only) as at the date of allocation of proceeds of the Green Financing Instruments; and
- Dedicated third party financing, including projects or portions thereof already allocated to another Green Financing Instrument issued by National Grid.

National Grid's Eligible Green Projects exclude electricity production plants with a GHG intensity of more than 100g CO_2e/kWh, infrastructure dedicated to creating or expanding a direct connection to such electricity generation plants, as well as infrastructure for the manufacturing, refining, transmission and distribution of coal, fossil fuel gaseous and oil fuels.

Green Ratio

The Green Ratio applicable to our US electricity business is defined as the share of installed renewable nameplate capacity versus the total peak load on our electricity networks in the respective US jurisdictions of our US Operating Companies[19]. The datasets used to calculate our Green Ratios are publicly available – please see the latest Green Financing Report for past calculations.

Pre-issuance disclosure

Before the issuance of Green Financing Instruments, National Grid will provide upon investors' request an indication of the share of financing vs refinancing, disbursement period of the Eligible Green Projects being refinanced, where applicable, as well as the estimated proceeds allocation per category.

19 The Green Ratio of our US Operating Companies is calculated as:
- the sum of (A) the distribution active demand response (our ability to shift customer demand of electricity based on available supply), and
- (B) the installed renewable resources nameplate capacity of electricity generators connected to our transmission and distribution systems (excluding large-scale hydro-electricity plants (>25MW)), each located within our service territory *(the intended full-load sustained output of a generation facility connected to our transmission or distribution networks. Generation resources in our distribution systems consist of small and geographically dispersed generation sources such as solar, energy storage, and demand response resources located on the distribution system)*
- divided by (C) the total projected peak load forecasts *(weather and econometric-adjusted customer demand, net of distributed energy resources)*

The dataset used for the Green Ratio calculation are publicly available – please see the latest Green Financing Report (Green financing | National Grid Investor Relations)

Green financing framework continued

ii. Process for Project Evaluation and Selection

Green Financing Committee

A dedicated Green Financing Committee oversees the governance of our Green Financing Programme.

The Committee is chaired by the Group Treasurer, and comprises representatives from:

- Sustainability
- UK Regulated Business
- US Regulated Business
- National Grid Ventures
- Finance

Other representatives of the Company may attend as required.

The Committee's primary objectives are to:

- Carry out the process of project evaluation and selection on a quarterly basis, and more frequently if needed. This includes:
  - deciding on the inclusion of new projects to the Sub-Portfolios in line with the criteria of this Framework;
  - reviewing and monitoring the continuous compliance of Eligible Green Projects under each Sub-Portfolio;
  - excluding Eligible Green Projects that no longer comply with the eligibility criteria or have been postponed, cancelled, divested, and replace them as soon as reasonably practicable, on a best-efforts basis.
- Monitor the internal processes to identify known material social and environmental risks/impacts associated with the Eligible Green Projects, and appropriate mitigation measures where required;
- Monitor and approve the Annual Green Financing Report processes, external verification, and publication; and
- Review and approve the Green Financing Framework and any changes proposed or made to the Framework.

The Committee meets at least twice per year. Meetings and decisions made are recorded via minutes of meetings with approval sought from the Committee at the next meeting.

New projects are identified by the respective operational and/or finance teams of the UK Regulated, US Regulated, and NGV businesses. The Group Treasury team then coordinates the submission of the identified projects to the Green Financing Committee, which evaluates their eligibility and decides on their integration to the dedicated Sub-Portfolios of Eligible Green Projects.

Management of Environmental and Social impacts ('Do No Significant Harm' and 'Minimum Safeguards')

Projects are considered and assessed based on their environmental impact, their compliance with our Eligibility Criteria, their contribution to our sustainability strategy, and are expected to adhere to the Group's policies and Business Management System (BMS) Standards. In addition, where possible and relevant, the Eligible Green Projects are expected to be carried out in accordance with the EU Taxonomy Regulation and Delegated Acts including the Do No Significant Harm and Minimum Safeguards criteria, and to comply with applicable national, European and international environmental and social standards and regulations.

Our comprehensive 17 group-wide BMS Standards ensure a stringent management of any potential negative environmental, safety and social impact associated with our activities. By defining the areas of greatest risk and value, our business is expected to comply with and establish the minimum requirement we must follow. Business areas across National Grid monitor their performance against the BMS, with outcome measures being updated and communicated through Quarterly Business Reviews (QBR) and a detailed review of BMS performance conducted annually. Our BMS Standards include:

- **The Responsible Business Standard,** underpinned by our Group Environmental Operations Policy[20] and certified Environmental Management Systems (EMS) provides us with the framework we need to manage our environmental impacts, meet the requirements of applicable regulations, and assist in the continual improvement of our environmental performance.
- **Asset Lifecycle Management Standard,** that enables a common approach towards addressing the most important asset management issues and opportunities.
- **Enterprise Risk Management Standard,** that enables greater visibility to risk in all our business processes - controlling threats and maximising opportunities.
- **Ethics Standard,** ensures the implementation of our Code of Ethics[21], which outlines ways we can ensure we always operate with integrity. It covers 5 distinct areas: acting responsibly, people and behaviours, conflict of interest, anti-corruption and transparency, and information and communication.
- **Occupational Safety Standard,** that ensures all employees or contractors can expect to receive the same consistent and high level of protection for their safety.
- **Process Safety Standard,** that ensures we protect people and the environment from the risk of major accidents through our process safety management system and the right safety focused culture.
- **Stakeholder Engagement Standard,** that establishes performance requirements for digital and physical external stakeholder engagement - enabling a consistent approach.

20 National Grid's Environmental Operations Policy **here**
21 National Grid's Code of Ethics **here**

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The BMS Standards are further supported by additional policies, such as the Environmental Operations Policy referenced above, Occupational Safety Policy, Process Safety Policy, and Wellbeing & Health Policy[22]. We also implemented a specific standard for establishing and evaluating compliance with our legal, moral and financial duty. In line with our Environmental Operations Policy and relevant regulations, we conduct various impact assessments to ensure that our large projects are aligned with our objectives to preserve the environment, biodiversity and human rights.

These management systems and standards provide us with the framework we need to confidently manage the environmental impacts of our business operations and meet the requirements of applicable regulations. Within the management systems, we maintain several standards or procedures that we believe help us meet the DNSH assessment criteria for EU Taxonomy requirements.

Minimum Safeguards

We do not operate in countries with significant human rights concerns. However, we have a published human rights policy outlining our commitment to human rights in our employment practices. Our values and approach to managing potential human rights risks are further detailed in our Modern Slavery Statement. Our Supplier Code of Conduct incorporates human rights into our supply chain interactions. The Global Procurement team has created a sustainability assessment tool that integrates human rights considerations into our strategic sourcing process. Noncompliance is reported and escalated promptly, leading to a supplier review process.

As a signatory member of UNGC, we participated in its Business and Human Rights Accelerator programme to increase our awareness of the key considerations and develop our strategy for managing any actual or potential risks associated with modern slavery. In addition, we are also:

- Members of the UNGC Modern Slavery Working Group and the UK Utilities Sector Modern Slavery Working Group, focused on eradicating slavery and exploitation in the sector and its supply chains.
- Partnered with Action Sustainability to develop a free procurement guidance document addressing modern slavery and labour exploitation in Solar PV supply chains (2023). The guidance provides critical steps and practical implementation insights beyond minimal compliance.
- Members of the Slave Free Alliance, established by Hope for Justice, to protect operations and supply chains from modern slavery risks through process improvements and site assessments.
- Actively involved in 'Utilities Against Slavery,' an industry group raising awareness, sharing best practices, and coordinating responses to reduce supply chain risks.

We conduct an annual analysis and assessment of all principles within the minimum safeguards, involving representatives from our company secretariat, people and culture, ethics and risk, global procurement, tax, and other relevant stakeholders from our UK and US operations. This process captures our responses along with supporting evidence.

iii. Management of Proceeds

An amount equal to the net proceeds of each Green Financing Instrument is earmarked for allocation to the Sub-Portfolio of Eligible Green Projects of the issuing operating company and tracked internally via a register, in accordance with the National Grid Green Financing Framework. In the case of a Green Financing Instrument issued by National Grid plc, National Grid North America Inc. or National Grid Holdings One plc, i.e. the holding companies, an amount equal to the net proceeds of each instrument is earmarked for allocation to the Sub-Portfolio of Eligible Green Projects of at least one of their subsidiaries. We ensure that there is no double counting by earmarking an Eligible Green Project for allocation only once.

We commit to reaching a level of allocation for the Sub-Portfolios of Eligible Green Projects that matches or exceeds the net proceeds of our outstanding Green Financing Instruments within a timeframe of 24 months after issuance. We will substitute any projects that are no longer eligible as soon as practical once an appropriate substitution option has been identified, on a best efforts basis.

Where proceeds cannot be immediately allocated or reallocated, we will invest the balance of the net proceeds at our own discretion as per our liquidity management policy, including in cash or cash equivalents, or in other liquid marketable instruments.

The payment of principal and interest on any bond issued under the Framework will be made from our general funds and will not be linked to the performance of any Eligible Green Projects.

iv. Reporting

We will report on the allocation of proceeds and associated impact metrics of the Green Financing Instruments within one year from the issuance date in the case of bonds and within one year from first drawdown in the case of loans, in both cases annually thereafter until the proceeds have been fully allocated, and as necessary in the event of material developments.

The Green Financing report will be published as a standalone report and/or part of National Grid's annual report, and will be made available, on our website: **https://www.nationalgrid.com/investors/debt-investors/green-financing**.

Allocation Reporting

The reporting will be provided for each issuing entity, at least on a category level and will include:

- Where available, the list of 100% Eligible Green Projects (re)financed, including project names and geographical distribution (individual project names for eligible maintenance capex that has been calculated using the green ratio will not be included);
- The aggregated amount of allocation of the proceeds to the Eligible Green Projects at category level;
- The share of proceeds used for financing versus refinancing;
- The balance of any unallocated proceeds; and
- The degree of alignment with the EU Taxonomy, where relevant and feasible.

22 Available on National Grid's website: Corporate governance | National Grid Group

Green financing framework continued

Impact Reporting

We will report on relevant environmental impact metrics, and will disclose the measurement methodology for quantitative indicators.

We intend to align, on a best efforts basis, the reporting with the recommendations described in the ICMA Handbook – Harmonized Framework for Impact Reporting (June 2024)[23]. Below are examples of impact indicators that may be reported:

Eligible Category	Potential Impact Indicators
Electricity Networks and Renewable Energy	• Estimated CO_2 emission avoided (tCO_2e/year) • Additional capacity of renewable energy connected to the grid (MW) • Annual average system grid emissions factors (rolling 5-year period) • Share of newly enabled generation capacity in the system below the threshold of 100g CO_2e/kWh (rolling 5-year period)
Energy Efficiency	• Estimated CO_2 emission avoided (tCO_2 e) • Expected energy savings (MWh)
Clean Transportation	• Estimated CO_2 emission avoided (tCO_2 e) • Length of rail electrified (km) • Number of EV charging units installed (#)

Group Operational Performance

At National Grid, we prioritise transparent and public reporting on our activities, commitments, and performance as an integral part of our business operations. We are dedicated to addressing our material issues by developing relevant strategies, policies, and performance indicators, and we regularly report on our progress. Examples of such operational performance areas include reducing absolute SF_6 emissions from our operations, and investments to improve reliability and resilience.

Our suite of reporting documents outlines our responsible business journey, and as sustainable reporting standards evolve, we will adapt our practices to maintain transparency. Starting in 2024/25, we will integrate our annual responsible business progress update into our Annual Report and Accounts (ARA), alongside our TCFD statement. Additionally, we produce supplementary reports that align with established sustainability reporting standards, including our Responsible Business Data tables, EU Taxonomy Report, Sustainability Accounting Standards Board (SASB; reporting against the Electric Utilities & Power Generators Standard and the Gas Utilities and Distributors Standard), and the Global Reporting Initiative (GRI). For details, please see our webpage **https://www.nationalgrid.com/responsibility**

v. External Review

Second Party Opinion (Pre-Issuance)

We have appointed Moody's to provide a Second Party Opinion on our Green Financing Framework.

The Second Party Opinion and the Green Financing Framework is available on National Grid's website.

Post-issuance External Verification

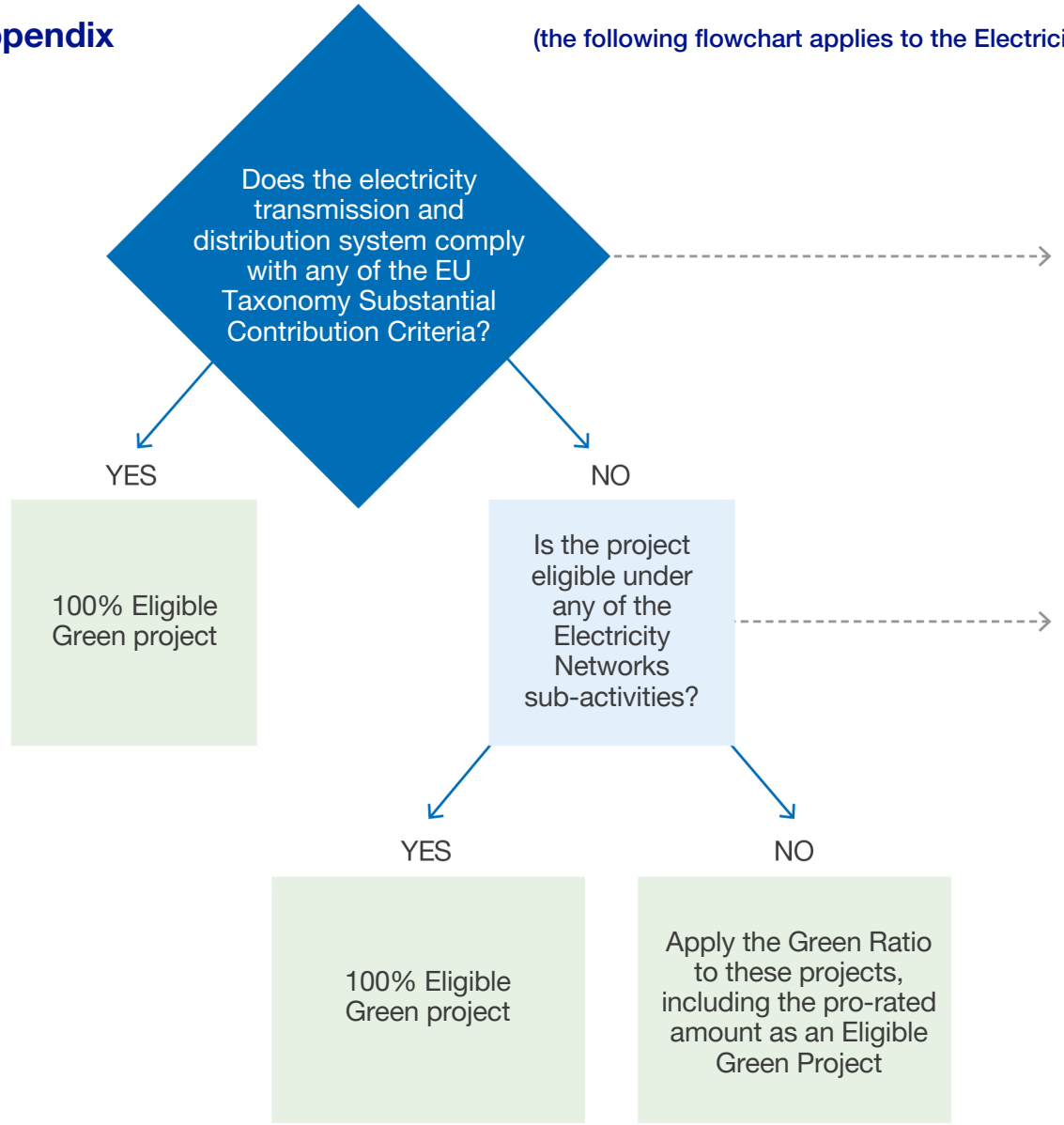
An accredited independent party will provide a limited assurance review of the allocation of Green Financing Instruments proceeds, adherence to Eligibility Criteria, and impact indicators.

The report by the accredited independent party will be made available on our website: **https://www.nationalgrid.com/investors/debt-investors/green-financing**

23 See here

Appendix

(the following flowchart applies to the Electricity Networks category)



- The system is the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems;
- More than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100g CO_2e/kWh over a rolling five-year period
- The average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value or 100g CO_2/kWh over a rolling five-year period

Electricity Networks sub-activities

- Electricity transmission and distribution infrastructure and equipment that increase the share of low carbon electricity below the threshold of 100g CO_2e/kWh in our power network
- Electricity transmission and distribution equipment and technology integrating low carbon emissions electricity, electricity transmission and distribution smart technology
- Interconnectors between transmission systems, provided that one of the systems is compliant
- Implementation of physical and non-physical adaptation solutions that substantially reduce the most important physical climate risk

Notes:

- In addition to considering compliance with any of the EU Taxonomy Substantial Contribution Criteria, we will also conduct 'Do No Significant Harm' and Minimum Safeguard screening.
- Capital expenditure dedicated to creating or expanding a direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100g CO_2e/kWh measured on a life cycle basis is not compliant.
- Eligible Green Projects are net of: Customer contributions to construction (relevant for US projects only) as at the date of allocation of proceeds of the Green Financing Instruments; and dedicated third party financing, including projects or portions thereof already allocated to another Green Financing Instrument issued by National Grid.

Disclaimer

This Green Financing Framework (the "Framework") does not constitute or form part of, and should not be construed as, an offer or invitation to sell securities of National Grid plc or of any of its subsidiaries (collectively referred to as "National Grid"), or the solicitation of an offer to subscribe for or purchase securities of National Grid, and nothing contained herein shall form the basis of or be relied on in connection with any contract or commitment whatsoever. Any decision to purchase any securities of National Grid should be made solely on the basis of the information to be contained in the relevant prospectus and any final terms or pricing supplement (if applicable) produced in connection with the offering of such securities. Prospective investors are required to make their own independent investigations and appraisals of the business and financial condition of National Grid and the nature of the securities before taking any investment decision with respect to securities of National Grid. This material is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Persons into whose possession such documents may come must inform themselves about, and observe any applicable restrictions on, distribution. The information contained in the Framework has not been independently verified and no representation or warranty expressed or implied is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of, the information or opinions contained herein. None of National Grid or its representatives shall have any liability whatsoever in negligence or otherwise for any loss however arising from any use of the Framework or its contents or otherwise arising in connection with the Framework or any other information or material discussed. The Framework contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements based on National Grid's current expectations and projections about future events. These statements include information with respect to National Grid's financial condition, its results of operations and businesses, strategy, plans and objectives. Words such as 'aims', 'anticipates', 'expects', 'should', 'intends', 'plans', 'believes', 'outlook', 'seeks', 'estimates', 'targets', 'may', 'will', 'continue', 'project' and similar expressions, as well as statements in the future tense, identify forward-looking statements. Because these forward-looking statements are subject to risks and uncertainties, actual future results or performance may differ materially from those expressed in or implied by these statements due to any number of different factors, many of which are beyond the ability of National Grid to control or estimate precisely. Except as may be required by law or regulation, National Grid undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of the Framework. The content of any website references in the Framework do not form part of it.

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