nationalgrid

Building our energy future

National Grid plc Annual Report and Accounts 2024/25

At National Grid, we are driven by our purpose: to bring energy to life

Our aim is to be at the heart of a secure, affordable and clean energy future. We work with the wider energy industry, governments, regulators, and the customers and communities we serve to deliver this vision.

Demand for electricity is expected to increase significantly through the electrification of heat and transport and the energy needs of advances in technology such as artificial intelligence. Innovation in electricity generation, including in renewables, storage and nuclear, is driving significant change in where and how energy is produced. There is significant innovation in the hardware and software we use to design, build, operate and maintain the energy networks we own.

As National Grid, our role is to deliver the network infrastructure and energy solutions required to meet the needs of our customers and stakeholders with this transition.

Our residential and commercial customers want access to clean, secure and affordable energy, delivered safely and reliably across our networks.

Energy generators and storage operators rely on our networks to move energy to the homes and businesses who need it.

Our governments and regulators expect us to deliver network infrastructure safely, reliably and affordably. They want our networks to support economic growth and emissions reduction targets.

Our investors expect us to deliver an attractive proposition, generating shareholder value through dividends and asset growth.

Across the energy sector, governments, regulators, financiers, suppliers and customers are all playing their part in delivering the changes needed. We play an important role and we continue to strengthen our relationships with key stakeholders. We engage local communities on our projects, while working with governments, regulators and our supply chain to deliver vital energy projects at pace.

This time last year we announced an unprecedented level of investment in our networks in the UK and US – c.£60 billion over five years, nearly doubling our investment from the previous period. Since then, we have scaled up our operations to deliver this level of investment in ground-breaking projects that will expand our networks. Delivery is well under way with a record £9.85 billion in capital investment in the year.

But it's not just about scale. It is about how we deliver too. We are building a culture of innovation at National Grid to ensure we make the best use of the networks we have and deliver new network infrastructure faster and more efficiently. We are working with our supply chain partners and leveraging the exciting new technologies being developed and invested in directly by our corporate venture capital arm, National Grid Partners.

2024/25 performance highlights

Statutory operating profit
£4,934m

10% y-on-y 2023/24: £4,475m

Underlying operating profit
£5,357m

12% y-on-y 2023/24: £4,773m

Statutory earnings per share
60.0p

8% y-on-y 2023/24: 55.5p (rebased)

Underlying earnings per share
73.3p

2% y-on-y 2023/24: 72.1p (rebased)

Capital investment
£9.85bn

20% y-on-y 2023/24: £8.24bn

Asset growth
9.0%

-0.7% y-on-y 2023/24: 9.7%

Dividend per share
46.7p

3% y-on-y 2023/24: 45.26p (rebased)

Network reliability
99.9%

2023/24: 99.9%

Lost time injury frequency rate per 100,000 hours worked
0.10

25% y-on-y 2023/24: 0.08

Scope 1 and 2 GHG emissions thousand ktCO_2e
7.4

8.3% y-on-y 2023/24: 6.9

Employee engagement
Our most recent overall employee engagement index in our twice annual Grid:Voice survey was 80%.

Further reading Throughout this report you can find links to further detail within this document.

Online report The PDF of our Annual Report and Accounts 2024/25 includes a full search facility. You can find the document by visiting our website nationalgrid.com/investors/resources/reports-plc or by scanning the QR code below the contents list.

Online content In this report there are QR codes you can scan to view further content online. Simply open the camera app on your smartphone to scan the code.

Deloitte assured data Denotes information subject to limited assurance (see page 18 for full definition).

PwC assured data Denotes information subject to limited assurance (see page 18 for full definition).

Alternative performance measure In addition to International Financial Reporting Standards (IFRS) figures, management also uses a number of alternative measures to assess performance. Definitions and reconciliations to statutory financial information can be found on pages 279 – 284. These measures are highlighted with the symbol opposite.

Reporting currency Our financial results are reported in sterling. We convert our US business results at the weighted average exchange rate during the year, which for 2024/25 was \$1.27 to £1 (2023/24: \$1.26 to £1).

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Read this Annual Report online

National Grid at a glance

A vital role in transforming energy systems

National Grid businesses play a vital role in energy systems, safely and reliably connecting millions of people to the energy they use, while investing for the future to power growth, resilience and the transition to a cleaner tomorrow.

Our businesses

Read more **Page** 25

UK

UK Electricity Transmission (UK ET/NGET)

We own and operate the high-voltage electricity transmission network in England and Wales. This includes connecting new customers and delivering the major strategic infrastructure to enable a clean power grid.

UK Electricity Distribution (UK ED/NGED)

We own and operate 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.

What we do

Transmission networks transport energy over long distances at high voltage (in the case of electricity) and high pressure (in the case of gas) from where it is produced and onwards to distribution networks.

Distribution networks take high-voltage electricity and high-pressure gas from transmission networks and deliver it at lower voltage and reduced pressure to homes, businesses and industrial infrastructure.

Supply involves buying and then selling electricity and gas on to customers, with associated customer services.

Generation is the production of electricity from renewable, nuclear and fossil fuel sources.

Storage are technologies such as batteries and liquified natural gas that store energy.

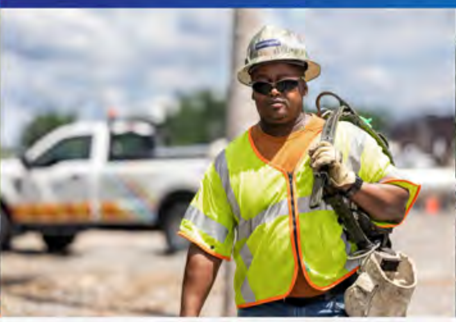
Read more **page** 9

Business split

	UK Electricity Transmission (UK ET/NGET)	UK Electricity Distribution (UK ED/NGED)
2024/25 Regulatory asset value (RAV), rate base and other assets (% of Group)	31%	18%
2024/25 Underlying operating profit (% of Group)	27%	22%
2024/25 Capital investment (£bn)	£3.0bn	£1.4bn

Indicates an alternative performance measure

US



New York (NY)

We own and operate 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.

New England (NE)

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.

International

National Grid Ventures (NGV)

We develop and operate large scale energy projects across the UK and US. They represent a broad mix of energy assets and businesses, including six electricity interconnectors between the UK and Europe, US competitive transmission, power generation, liquified natural gas (LNG) import and battery storage. National Grid Renewables and Grain LNG are classified as held for sale.

Other activities

Primarily National Grid Partners, the corporate venture capital and innovation arm of National Grid, plus UK property, insurance and corporate activities.

New York (NY)	New England (NE)	National Grid Ventures (NGV)	Other activities
27%	14%	7%	3%
27%	17%	7%	—%
£3.3bn	£1.8bn	£0.4bn	£—bn

Chair's statement

Evolving landscape

Whole-system planning, deployment of advanced technologies and strong controls over our processes are key to running a business fit for the future.

Dear fellow shareholder,

Power is essential to the modern world. But throughout my four decades in the energy industry, networks have been of little interest to consumers. They were simply there when we needed them, providing reliable service. However, a confluence of events and policies has now placed energy networks in the public eye.

The UK Government's bold mission to achieve clean power by 2030 requires a once-in-a-generation 'rewiring' of the country's infrastructure. The US, by contrast, is focused on energy as a key enabler of economic growth, with an emphasis on driving the AI revolution and reshoring of manufacturing.

Both approaches will require substantial new energy supplies and infrastructure. And, as we've seen with recent global power interruptions, it's not surprising that energy infrastructure is now a more visible part of the public discourse.

The debate boils down to resiliency and affordability.

Given all that's at stake, it's fair for the public to ask how National Grid is going to ensure continued high levels of reliability, particularly as power systems have increasing proportions of renewables in the mix. Understandably, as customers experience escalating energy costs, regulators want to be assured that National Grid will invest cost-effectively in modernising its systems. And, in the boardroom, independent directors provide a constructive challenge to our leadership as it maps the path forward. Whole-system planning, deployment of advanced technologies and strong controls over our processes are key to running a business fit for the future.

National Grid's talented global workforce of more than 30,000 employees embraces the opportunities that come with change.

For almost ten years, we have been wisely guided by our CEO, John Pettigrew. On 1 May 2025, we announced that John will retire later this year after 35 years of service. I am grateful to have learned about National Grid's businesses through John's eyes and experience. He has been a wonderful collaborator and an exceptional leader whose impact will be felt for years to come. On behalf of the Board, I extend to him heartfelt appreciation.

Our Board succession planning process has been well embedded. As such, on 1 May, we also announced that Zoë Yujnovich, a global executive at Shell plc, will assume the chief executive role at National Grid on 17 November 2025. She comes with a diverse background in energy and natural resources, along with a proven record in capital delivery. We have a transition plan in place for the handover and the company will not miss a beat.

The energy landscape is evolving, and so is National Grid. I feel confident that our committed workforce, inspired by John's example and newly led by Zoë, will serve our shareholders, customers and communities well in the times ahead. Thank you for your continued support.

Sincerely,

Paula Rosput Reynolds
Chair

14 May 2025

Final dividend of

30.88p

per share proposed to be paid on 17 July 2025

The 2025 Annual General Meeting (AGM) of National Grid plc will be held as a hybrid event at 11.00am on Wednesday 9 July 2025. More details on the arrangements for this year's AGM, including how to attend virtually, can be found at nationalgrid.com/investors

Chief Executive's review

Resilient, reliable networks

With our strategic focus on energy networks, we are delivering our £60 billion five-year plan at pace, building the next generation of infrastructure and solutions needed to meet accelerating demand for secure, affordable and clean energy.

Context in which we are operating

After 35 years at National Grid and nearly 10 years as CEO, I recently shared my decision to retire from the Group. It has been an immense honour for me to lead the company I joined as a graduate, and when I step down later this year, I will do so knowing that we are in a position of great strength. I also have every confidence that my successor, Zoë Yujnovich, is the right person to lead National Grid on the next stage of its journey.

We are living through a period of unprecedented change in the world, but also one of opportunity and growth. Resilient and reliable networks capable of meeting demand for secure, affordable and clean energy are essential to future prosperity, helping to create the industries and technologies of tomorrow, drive economic growth and support millions of jobs.

In the UK, the Government's mission for clean power by 2030 is an important part of its growth plans and aims to achieve at least 95% renewable energy by the end of the decade. This ambitious initiative includes major industry reforms across energy planning, connections, supply chains and digitisation.

In the US, we have seen a shift at the federal level from a focus on climate to economic competitiveness and national security. At the state level, there is increasing focus on energy affordability and reliability, coupled with an ongoing debate on how to best achieve the transition to cleaner energy. At National Grid, we believe that strengthening and modernising our networks is the key to helping our regions attract investment and bolster security of supply, while continuing to reduce carbon emissions.

I'm pleased to say we've seen good progress in our push for policies that are essential for the energy transition and attract the investment needed to fund the networks of the future. This will be critical to ensuring we build the capacity and resilience needed in the energy system. There is particular focus on this in the UK following the fire at our North Hyde substation and subsequent disruption at Heathrow Airport and the surrounding area. While transmission power was always available to Heathrow, we are committed to working closely with the National Energy System Operator and our other stakeholders to ensure any lessons are learned and that we prevent incidents like this from happening again.

Business highlights from the year

Against this backdrop, I'm hugely proud of all we've achieved over the past 12 months. We're leading the industry in delivering the next generation of networks and energy solutions that will be fit for the 21st century.

Personal highlights for me include the progress we've made with our 17 ASTI projects and our ambitious £35 billion plan for the transmission network in England and Wales, which we've now submitted to Ofgem. We've also secured seven new delivery partners through our £9 billion Great Grid Partnership and 10 more suppliers in our £59 billion high voltage direct current (HVDC) framework. Together, these initiatives represent the biggest upgrade of the UK energy grid in a generation.

I'm also proud of the huge strides we've made through our UK Distribution System Operator in scaling up the benefits we've delivered for our stakeholders, consumers and the energy system in the last 12 months.

Chief Executive's review continued

We've made excellent progress in the US as well. Our $4 billion Upstate Upgrade in New York is on track, and we're delivering further gas mains replacement and network reinforcement across the state. In Massachusetts, our $2 billion Electric Sector Modernization Plan was approved by the regulator, and we achieved an important legislative milestone on permitting reform with the passage of the Massachusetts climate bill. We also agreed fair new rates for our downstate New York gas and Massachusetts electric businesses.

In our National Grid Ventures business, we've made significant progress with our pioneering LionLink interconnector. Once complete, it will provide another connection between the British and Dutch electricity grids, maximising our renewable energy resources, reducing reliance on fossil fuels, and reinforcing security of supply for Britain.

As with LionLink, innovation runs through everything we do, and National Grid Partners is an important part of that, investing in technologies that have game-changing potential for the future of energy. We have invested more than $500 million in startups to date and committed an additional $100 million for AI startups.

Finally, as part of our refocusing on networks, we have announced the sale of National Grid Renewables to Brookfield for $1.7 billion and launched the sale of our LNG facility at the Isle of Grain.

We have achieved all this while ensuring the safety and security of our networks, and the reliable flow of energy for millions of homes and businesses.

Read more:
Our business units pages 25 – 33

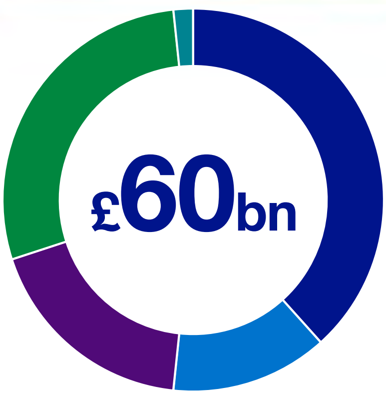
Investment and delivering for shareholders

We successfully completed the £7 billion Rights Issue last Spring, an important part of our plan to invest around £60 billion. We are grateful for the support you, our shareholders, have shown as we undertake this historic investment.

Capital investment was a record £9.85 billion over the past year, in line with our plan and 20% higher than last year. This reflects the scale of activity across all our regulated businesses. We've delivered a strong performance, with underlying operating profit increasing 12% to £5.4 billion at constant currency, reflecting increased regulated revenues and flat controllable costs, and achieved through our focus on agreeing the right regulatory frameworks and efficient delivery.

Five-year financial framework 2024/25 – 2028/29 announced 23 May 2024

Capital investment



c.£51bn

Green, directly into the decarbonisation of energy networks, aligned to EU Taxonomy

UK ET	c.£23bn
UK ED	c.£8bn
New England	c.£11bn
New York	c.£17bn
NGV	c.£1bn

Group asset growth

c.10%

CAGR[1]

Underlying EPS

6–8%

CAGR[2]

Balance sheet and ratings

Credit metrics maintained above current rating thresholds[3]

Regulatory gearing at 61% at March 2025, then trending back towards the high-60% range by the end of RIIO-T3

Use of hybrid debt

Dividend and equity

Aim to grow dividend per share in line with UK CPIH[4]

Net Rights Issue proceeds of £6.8bn in 2024/25

Continued use of scrip dividend

1. Group asset compound annual growth rate from a 2023/24 baseline. Forward years based on assumed USD FX rate of 1.25 and long run UK CPIH and US CPI. Based on our continuing businesses, as defined by IFRS, which included the ESO until its disposal in October 2024 and includes Grain LNG and National Grid Renewables until their planned disposals.
2. EPS compound annual growth rate from a 2024/25 baseline. Forward years based on assumed USD FX rate of 1.25, long run UK CPIH, US CPI and interest rate assumptions and scrip uptake of 25%. Based on our continuing businesses, as defined by IFRS, which included the ESO until its disposal in October 2024 and includes Grain LNG and National Grid Renewables until their planned disposals.
3. Through to at least the end of the RIIO-T3 price control period.
4. 2024/25 DPS increased by 3.21% following the rebase of the 2023/24 DPS from 58.52p to 45.26p after taking account of the new shares issued following the Rights Issue.

National Grid is now embarking on an exciting new phase of growth with an attractive investor proposition underpinned by high quality asset growth, strong earnings growth, and an inflation protected dividend.

Empowering colleagues, customers and communities

We are working to balance the investment required to deliver affordable energy for our customers with the reality that many are struggling with a high cost of living. To help, we have announced a new £13.8 million Grid for Good Energy Affordability Fund. This will run for three years, with donations to charities and organisations providing immediate financial relief to families and communities in need on both sides of the Atlantic.

In the US, we continue to improve the reliability of our customer systems. We have launched an updated mobile app, enhanced outage communications, and made it easier for customers to update their communication preferences. These improvements, amongst others, will help us to better connect customers with ways to save energy, manage their bills and easily access assistance.

Our deep commitment to local communities includes our ongoing rapid response teams. In September 2024, nearly 150 of our crews travelled to storm-ravaged Tennessee, Virginia and West Virginia to assist with safety and recovery from Hurricane Helene. In December 2024, Storm Darragh brought major disruption across the UK. It was one of the biggest storms to impact our network in decades and I'm proud of our teams who managed to get 95% of the over 700,000 customers impacted back on supply within 48 hours.

Looking ahead

After another year of strong performance, we have a solid platform to build on. We are now squarely focused on delivering for our customers and communities, building and operating the infrastructure needed to meet accelerating demand at the right speed and scale for the lowest possible cost.

As my time with National Grid draws to a close, we are well positioned to take advantage of the significant growth opportunities ahead. It has been the privilege of my life to lead this company over the past decade and I'm incredibly proud of all we've achieved in that time. This is down to the unwavering commitment of our 30,000 dedicated colleagues and their relentless focus on delivering for our customers. It is our people that make this organisation so special. It is also our people who give me great confidence that, when I hand the reins to my successor Zoë in November, National Grid will continue to go from strength-to-strength.

John Pettigrew
Chief Executive

14 May 2025

Our business model

Building our energy future

We are playing a key role in delivering the energy systems of the future, working alongside partners for the benefit of our customers, communities, and wider society.

Our resources

Physical assets

Our network assets are critical infrastructure. They are large and built to last. We continuously invest to maintain and upgrade them to ensure safe and reliable service, integrate new sources of power, and meet new demand.

Efficient financial capital

We fund our business through a combination of equity and debt. We maintain an appropriate mix of the two and manage financial risks prudently, committing to a strong overall investment grade credit rating.

Strategic and responsible leadership

Our strategy articulates our priorities clearly and positions our business to support growth and long-term economic benefits, and a cleaner future, in the places we operate. We have well-established governance structures and controls in place to manage risk.

Expert colleagues

We are immensely proud of our people. Together we have spent decades installing and managing critical networks and systems, forging relationships, and building a culture of ambitious, diligent and passionate service.

Strong partner relationships

Customers
With our customers, including the electricity generators and gas suppliers who own the energy that flows through our networks.

Contractors
With our contractors who have complementary skills, experience and resources to help us get the job done.

Governments and communities
With national and regional governments and local communities who support us to deliver infrastructure that meets their needs.

Regulators and agencies
With the regulators and agencies who agree the prices we can charge and the amounts we can invest, as well as the health, safety and environment standards we must meet.

The role we play in energy systems

Sources of power

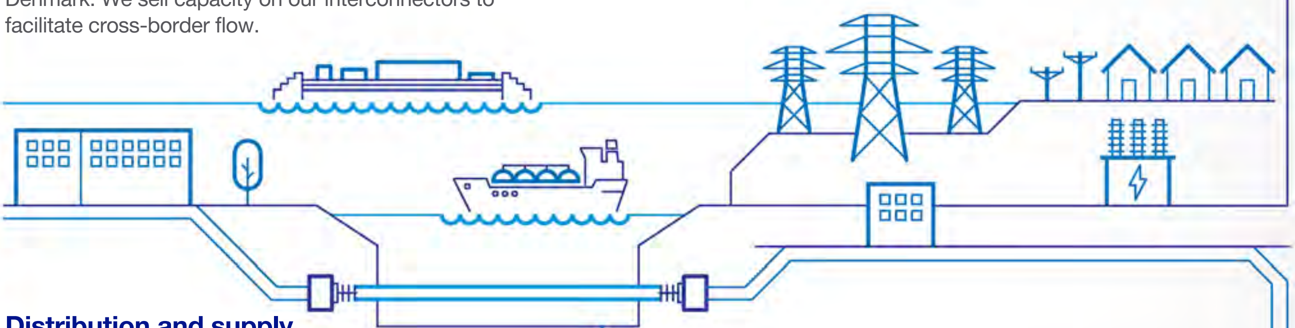
Generation
In the US, we own and operate fossil fuel electricity generation facilities on Long Island. We also operate modern solar and battery storage projects with NextEra Energy Resources on Long Island. We facilitate the connection of energy generation assets to our transmission systems.

Integrating clean energy sources
Renewables and zero carbon sources play a critical and fast-growing role in our energy systems. Facilitating connections to a wide range of clean energy sources is a fundamental part of our work. We earn a regulated return on the assets we build when extending our network to connect new energy sources.

Networks and infrastructure

Electricity interconnection
Interconnectors are high-voltage cables used to connect the electricity systems of neighbouring countries to allow the trading of excess power and balance supply and demand to maintain security of supply. We operate six interconnectors linking the UK to France, Belgium, Norway, the Netherlands and Denmark. We sell capacity on our interconnectors to facilitate cross-border flow.

Transmission
Our transmission networks transport energy over long distances, safely and efficiently from where it is produced to distribution networks. We charge generators and distributors for putting energy into and out of our networks, based on prices set by regulators.



Delivering for customers

Distribution and supply
Our distribution networks take high-voltage electricity and high-pressure gas from the transmission networks, and deliver it at lower voltages and reduced pressures to homes and businesses, such that it can be used by consumers. In the UK and US, we deliver electricity. In the US, we also deliver gas and act as a supplier. Through our UK electricity distribution service operator, and in the US, we ensure that supply and demand are balanced. We earn revenue from transporting and distributing energy to businesses and homes.

How we create value

Engineering and asset management
Investing in and maintaining assets across their life.

Safe and reliable operations
Operating safely and acting quickly to fix issues.

Investing in our people and culture
Creating jobs, building skills and strengthening our culture.

Innovation
Embracing new ideas and ways of working and supporting emerging technologies.

Modelling and forecasting
Planning for a transforming energy system.

Capital project delivery
Effectively delivering complex projects.

Our business model continued

Delivering value for our stakeholders

Customers

page 48

Delivery of secure, affordable and reliable energy to customers in the communities we serve and provision of essential assets that connect power generators to our transmission networks.

The value we create

99.9%
Network reliability
2023/24: 99.9%

£9.85bn
Capital investment
2023/24: £8.24 billion

Investors

page 79

A low-risk and dependable investment proposition, focused on generating shareholder value through dividends and asset growth.

The value we create

73.3p
Underlying EPS
2023/24: 72.1p (rebased)

9.0%
Group ROE
2023/24: 10.5% (restated)

Colleagues

page 51

An inclusive and safe environment where colleagues can develop their skills and careers to reach their full potential.

The value we create

0.10
Safety LTIFR per 100,000 hrs
2023/24: 0.08

39%
Jobs filled internally
2023/24: 52%

Supply chain and delivery partners

page 24

Responsible and efficient supply and delivery chains with aligned interests.

The value we create

£9bn
Great Grid Partnership announced

92%
Suppliers paid to terms
2023/24: 90%

Communities

page 48

Creation of jobs, skills and employability pathways, alongside charitable community work and the long-term benefits of clean energy.

The value we create

31,645
Employees
2023/24: 31,425

60,511
Volunteering hours
2023/24: 77,918

Political and regulatory

page 256

Trusted relationships with shared goals to deliver energy policies, growth and environmental commitments.

The value we create

3,016 MW
Renewable capacity connected in year
2023/24: 3,030 MW

£7,667m
Green capital investment
2023/24: £5,992m

Indicates an alternative performance measure
Deloitte assured data
PwC assured data

Our business environment

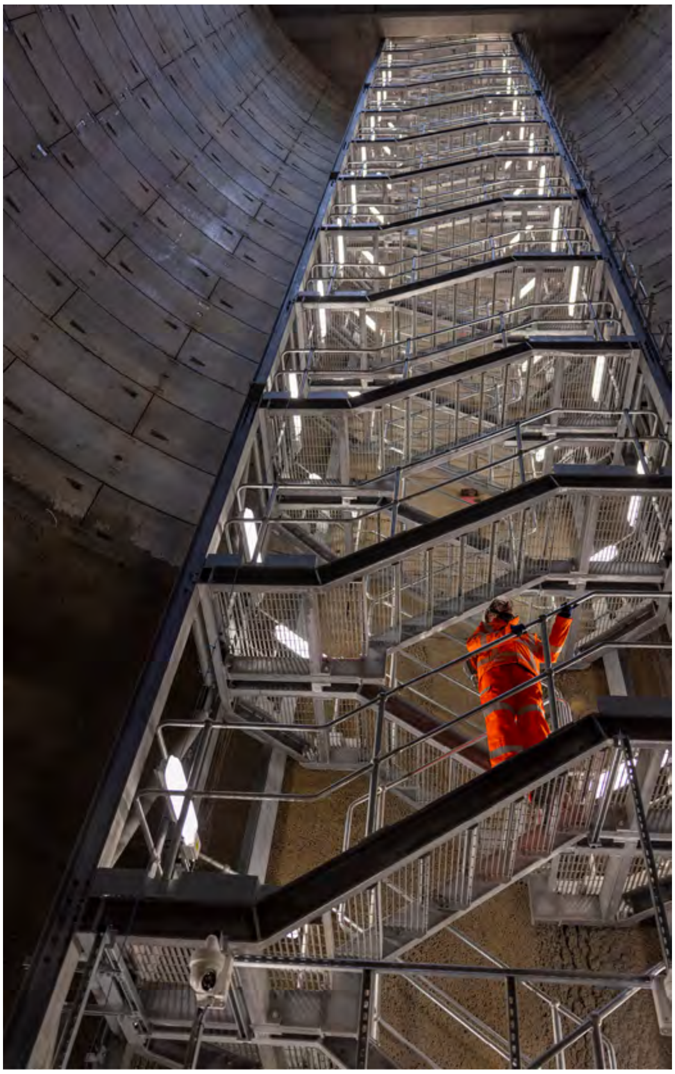
Our business environment is shaped by governments' drive to deliver economic growth amid a major shift in how we produce and consume energy. Against a backdrop of political and technological change, we are delivering the energy infrastructure of the future, enabling the energy transition and economic growth in our communities.

Energy transition

92%

Renewable percentage of added global energy capacity in 2024

Growth in renewable and low carbon energy continues to be a major driver of growth for our portfolio. Smarter and larger networks are needed to connect these new sources of generation and storage, at new locations, to customers.



Impact on our industry

- The energy supply mix in our areas of operation is continuing to shift towards low carbon generation, renewables and storage, with more generation connected to our distribution networks.
- Demand for electricity also continues to grow, driven partly by the electrification of conventionally fossil fuel-based technologies. Across the UK, we expect electricity demand to increase by almost 50% from 2024 levels by 2035, and in our US jurisdictions by around 25% over the same period.
- Our networks will need to adapt and grow to facilitate these changes.
- The UK Government has set out ambitious energy targets in the Clean Power 2030 report, calling for 95% of Great Britain's generation to be produced by clean sources by 2030.
- In the US, New York and Massachusetts State Governments have set ambitious targets for clean energy generation and offshore wind. Progress against these targets has been mixed and we are committed to working with the States we operate in on the right energy mixes to help them deliver their climate goals over the long term.

How we are responding

- We are stepping up investment in our networks and have announced a c.£60 billion plan to accelerate their expansion over five years. This investment will allow our networks to connect new clean energy sources and play our role in delivering our jurisdictions' clean energy and electrification objectives.
- Across our jurisdictions, we work with regulators and governments to agree price controls (UK) and rate cases (US) that reflect the energy generation sector's growing demand for grid connections. For example, last year we submitted our RIIO-T3 business plan to Ofgem, which will enable an unprecedented amount of new power to connect. In the US, Massachusetts Department of Public Utilities approved our Electric Sector Modernization Plan (ESMP) as a strategic roadmap, outlining the investment we plan to make in our electric networks over the next five years to accommodate clean energy goals.
- 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 their 1.5°C pathway.

Our business environment continued

Affordability and economic development

#1

Voters consistently view the economy as a top issue in our jurisdictions

Governments are focused on driving economic growth and development in our jurisdictions. Some of our customers continue to struggle with the cost of living.

Impact on our industry

- Energy affordability is a challenge for communities in all the areas we serve. We are focused on ways to lower energy costs for our customers and consumers.
- In both the UK and US, governments' economic growth agendas mean continued need for grid investments, as AI-enabling data centres and other industrial infrastructure seek to connect or electrify.

How we are responding

- We have announced a new £13.8 million Grid for Good Energy Affordability Fund. Running for three years in the UK and Northeast US, it will support organisations such as National Energy Action in the UK who assist vulnerable households with energy advice, emergency funding and energy efficiency measures.
- In the UK, we have helped 21,000 customers to save a total of £22 million through our fuel poverty programme.
- In the US, we are responsible for delivering energy through our networks and providing billing and customer service to approximately 6 million accounts. We are expanding energy efficiency programmes with an increased focus on mitigating peak period bills, and addressing the energy burden facing our most vulnerable customers. We have expanded multicultural outreach initiatives and language translation to ensure eligible customers have access to available assistance programmes and protections, including suspension of terminations during cold weather.
- To play our part in delivering affordable energy and enabling economic growth, we are focused on delivering our critical infrastructure projects as quickly and affordably as possible while avoiding both premature investment and delays to critical projects. We deploy innovative solutions like dynamic line rating to increase the capacity and performance of our existing assets and find alternatives to new builds where appropriate. Working alongside governments and regulators, we ensure that prudent long-term planning leads us to the best overall solution for the customer.
- We are also focused on helping jurisdictions meet their economic growth goals to deliver broader societal economic benefits. We work with governments and large commercial customers to play our part in connecting growth-enabling industries to the energy they need. For example, we are in the process of delivering a multi-million-pound project to connect the largest EV battery manufacturing facility in the UK to our grid. This factory will contribute almost half of the projected battery manufacturing capacity required for the UK automotive sector by the early 2030s, and create around 4,000 new skilled green technology jobs.

Technological change

> $300 billion

in estimated capital expenditure on data centres globally in 2024

The past year has seen a rapid shift in the technology landscape, impacting both energy supply and demand. The most significant change has been the rapid rise of generative and agentic AI, and the associated impact on data centre development.

Impact on our industry

- The rise of AI and associated data centre infrastructure is likely to be a significant driver of new energy demand. There is still uncertainty around the scale of AI-driven demand growth, although we believe efficiency gains could mitigate this impact.
- In response to this rapid growth in energy demand, we are seeing a resurgence of interest in nuclear, particularly small modular reactors (SMR), to provide firm emission-free generation.
- AI advancements also present deployment opportunities for the energy industry to improve efficiency and resilience, including through supply-demand balancing, infrastructure planning, predictive maintenance and physical safety improvements.
- Customers are increasingly demanding the same smooth digital experience provided by consumer technologies and online retail in other areas of their life, including how they produce and consume energy.
- They are seeking ways to optimise their energy bill, including through flexible tariffs and, in some instances, compensated demand reduction or the ability to sell energy back to the grid from their own generation and storage.
- As more of our lives become digital, the importance of protecting against cyber risk is increasing.

How we are responding

- In our regulated businesses, we work directly with data centres and other large load customers to help them understand the value of our electric networks, their connection options, and the process to energisation. We are committed to finding a better way to serve our residential customers in the US. At the beginning of last year we expanded our customer's payment options to include four new options, Google Pay, Apple Pay, PayPal, and Venmo paired with enabling single sign on, reducing complexity for customers and enhancing the security of our customer systems.
- Through National Grid Partners, we are capitalising on the opportunities created by technological change. Since 2018, National Grid Partners has invested over $500 million in more than 50 start ups and strategic funds, including more than $150 million in 18 AI startups. We are deploying many of these technologies across our own networks, and continue to use our NextGrid Alliance, a collaborative ecosystem of utilities, to enable faster industry-wide innovation and share lessons learned.
- We continue to monitor cyber risks, and implement control improvements recommended by government and private intelligence to manage the increasing threat landscape.

Global uncertainty

>50%

of countries with a national election in 2024 elected a new government

Today's world is characterised by economic uncertainty posing challenges to business planning. In the face of this uncertainty, resilient and secure energy supplies have never been more important.

Impact on our industry

- While energy supply chains have adjusted to the cessation of Russian gas imports to Europe, geopolitical conflicts and trade tensions pose an ongoing risk. Armed conflict is the biggest risk identified in the World Economic Forum's Global Risks 2025 report.
- The return to a more protectionist global economic order, with focus on domestic economic growth and security, creates challenges and opportunities for the energy sector. Supply chains have been stressed since the pandemic, and may tighten further if trade disagreements escalate. At the same time, there is renewed focus on the importance of energy networks in delivering domestic energy security and prosperity.
- For governments, organisations and communities, resilient and secure energy supplies are crucial in adapting to disruptions in this more uncertain world.

How we are responding

- We remain focused on delivering resilient and secure infrastructure, playing our part to help the communities we serve avoid disruption and adapt to a changing global environment.
- Across our business, we continue to innovate on supply chains to ensure we can deliver infrastructure at pace even amid global uncertainty. For example, our ET supply chain task force and our Great Grid Partnership model ensure we can deliver infrastructure on time by offering suppliers long-term commitments and a more collaborative way of working.
- We build resilience into our operations, adapting our networks to risks from increased extreme weather events and cyber threats.
- We are active participants in the broader energy sector ecosystem across the US and the UK, working to establish policies that increase the chance of a smooth energy transition. This engagement helps us to evolve regulatory frameworks together and to provide more certainty through price controls and rate cases that reflect a healthy balance of risk, returns and incentives.

We are guided by our five strategic priorities

Enable the energy transition for all

At National Grid, we are at the heart of a structural shift in how energy is produced and used. This will mean moving from centralised, fossil-fuel based systems to a more decentralised grid with higher renewable generation and storage. The areas we serve are at different points in this transition. Our goal is to build the networks needed in our jurisdictions, working with governments, regulators and communities to ensure the conditions for success are in place.

Build the networks of the future now

Our ambition is to deliver a once-in-a-generation increase in capacity on our networks. We continue to invest in the safety and reliability of our electric and (in the US only) gas networks. This will ensure we can deliver for our customers while we prepare for growing demand and electric load growth, and cleaner generation technologies.

To achieve this, we are growing our supply chain, capital delivery and network operations capabilities to deliver an unprecedented volume of capital investment. But our goal is not as simple as building more infrastructure. We are deploying better, more efficient technology to maximise the value of our existing and new assets, ensuring customers benefit from innovation on our networks and we maintain the affordability of our networks.

Deliver for customers

In today's digital world, the benchmark for excellent customer experience is not necessarily within our sector. Customers are used to streamlined, digital service in almost all their daily activities, from online shopping to booking appointments. They expect rapid resolution of any problems. We know our customers expect the best possible experience from us, whether they are residential and commercial customers relying on our networks to transport energy to their homes and businesses, or industrial and generator customers seeking a connection to our grid. We are committed to meeting today's needs and anticipating tomorrow's.

Operate safely and efficiently

Nothing is more important than the safety of our colleagues and the people in our communities. We want every person who works for National Grid to go home safely to their families each day. By embedding behavioural safety principles at all levels – across all business units and within our supply chain – we are shaping a proactive safety culture where everyone has the confidence, skills and environment to work safely every day. We also know efficiency is central for us in playing our part to keep energy bills down.

Build tomorrow's workforce today

Ultimately, our people deliver our strategy. From apprentices to senior leaders, we are focused on attracting and developing a workforce equipped with the skills of the future. This helps us deliver our strategic priorities, but also ensures we're creating high value employment opportunities and economic impact in the communities we serve.

…which are underpinned by our values

Do the right thing

- Stand up for safety every day
- Put our customers first
- Be inclusive, supporting and caring for each other
- Speak up, challenge and act where something doesn't feel right

Find a better way

- Embrace the power and opportunity of diversity
- Increase efficiency to help with customer affordability
- Work with others to find solutions for customers
- Commit to learning and new ideas

Make it happen

- Take personal ownership for delivering results
- Be bold and act with passion and purpose
- Focus on progress over perfection
- Follow the problem through to the end

Succeeding with our strategy

We deployed our five updated strategic priorities across the organisation in 2024/25

Our principal risks and uncertainties on pages 36–41

Enable the energy transition for all

What this means

We have an important role in 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 shared energy objectives.

Business environment links:

- Energy transition

KPI link:

- Green capital investment
- Climate change – Scope 1, 2 and 3 emissions

£7.7bn

Group green investment across distribution and transmission

2024/25 achievements

- In UK ET, we submitted our RIIO-T3 business plan to Ofgem, which will nearly double the amount of power we can transfer across the country.
- In UK ED, we submitted our ED3 Framework Consultation Open Letter, emphasising the need for a transformative approach to electricity distribution networks to meet the UK's net zero targets by 2050.
- In NGV, we achieved a major milestone in late 2024, receiving approval from Ofgem for LionLink, an offshore hybrid asset (OHA) project connecting the UK and the Netherlands. We have now agreed with Ofgem the final economic regulatory arrangements, which will allow us to progress to ordering long lead items.
- In NY, we began upgrading 1,000 miles of New York's grid to provide around four gigawatts of more resilient, clean, and secure energy across the State.
- In NE, the Massachusetts Department of Public Utilities approved our Electric Sector Modernization Plan (ESMP), also referred to as our Future Grid Plan, as a strategic roadmap. The plan outlines around $2 billion in anticipatory investments in the electrical distribution system.

Build the networks of the future now

What this means

We will scale a once-in-a-generation increase in network 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 ensure the safety and reliability of our gas networks.

Business environment links:

- Affordability and economic development
- Technological change

KPI link:

- Group capital investment
- Asset growth

c.£60bn

Planned investment in our networks from April 2024 to March 2029

2024/25 achievements

- Last May, we committed to invest c.£60 billion in our networks over five years. In the last financial year, we have delivered £9.85 billion.
- In UK ET, we have commenced construction of six ASTI projects, including Eastern Green Link 1 and 2 comprising 700km of high voltage direct current (HVDC) subsea cables straddling the English and Scottish borders which has an estimated investment of over £4 billion.
- In UK ED, we delivered record investment, with a 14% increase on the previous year.
- In the US, we piloted the largest dynamic line rating in the US and the first in New York State. With proper targeting and design, dynamic line rating can increase the capacity of existing lines by up to 15-30%.
- In NY, the Proactive Planning Proceeding now enables anticipatory investment for electrification of heat and transportation and economic development. We proposed a capex portfolio of 'Urgent Upgrade Projects' addressing transportation and building electrification that we will move forward with once we receive the Public Service Commission order in early 2025.
- National Grid Partners surpassed $500 million in investments since 2018, focusing on modernising the grid and advancing utility innovation.

Deliver for customers

What this means

We aspire to 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.

Business environment links:

- Energy transition
- Affordability and economic development
- Technological change

KPI link:

- Network reliability
- Customer satisfaction

99.9%

reliability maintained

2024/25 achievements

- In UK ET, we energised our first grid park at Sundon substation in Bedfordshire, allowing more renewable capacity to be connected in a cost-effective way. We have continued works to connect Dogger Bank, the world's largest offshore wind farm, and connected the Greenlink interconnector between Ireland and Great Britain.
- In UK ED, our Major Connections Strategy accelerated timelines for 2.9 GW of distributed energy resources by an average of 5.8 years in support of local net zero ambitions.
- In the US, we launched the Sense app (alongside deployment of our industry-leading AMI smart meters) to provide real-time energy insights to all customers at the appliance level.
- In NY, our electric operations successfully prepared for and responded to severe weather, including 16 major storm events. Where our service territories have been impacted by storm activity this year, we achieved an electricity restoration rate of 95% within 10 hours for impacted customers.
- NGV's interconnector fleet continued to play an integral role to GB energy security and delivered 38 TWh, the equivalent of powering over 14 million households.

Operate safely and efficiently

What this means

To deliver our part in a changing energy system, we are transforming our internal processes, strengthening our customer focus and sharpening our commercial edge. We are investing in the capabilities we will need in future and our ability to operate safely remains our top priority.

Business environment links:

- Affordability and economic development
- Technological change

KPI link:

- Group LTIFR
- Underlying EPS
- Group RoE

0.10

Lost time injury frequency rate (LTIFR) (target: equal to or less than 0.10)

2024/25 achievements

- In UK ET, the volume of work delivered by contractors continues to increase. We are enhancing collaboration with our supply chain partners, and have seen an improvement in the safety performance of our contractors.
- In UK ED, we designed and delivered a company-wide behavioural safety training programme with over 6,000 colleagues trained to date.
- In NE, our bi-annual Safety Culture Survey placed us in the top quartile of our external industry benchmark, underscoring our ongoing commitment to safety excellence.
- In NY, the Northeast Gas Association (NGA) gave us the Pipeline Safety Management System Recognition Award for demonstrating an outstanding commitment to safety.
- NGV concluded the year without a single serious injury across the business unit.

Build tomorrow's workforce today

What this means

Our colleagues shape the delivery of outcomes that exceed the expectations of all our stakeholders. By attracting high-quality talent and developing our people, we will ensure our colleagues are best placed to deliver our goals.

Business environment links:

- Energy transition
- Affordability and economic development
- Technological change
- Global uncertainty

KPI link:

- Employee Engagement Index

236

graduates welcomed in the US and UK

2024/25 achievements

- 161 graduates joined our graduate scheme in the UK, with 75 joining our US programme, alongside 172 'Gridterns' in the US over summer.
- We saw 276 apprentices commencing programmes combining practical work and academic study in the UK across ET and ED.
- We have proactively invested in our senior leaders who oversee major infrastructure projects, by creating a bespoke six-month global development programme in partnership with Saïd Business School, University of Oxford. Since September 2024, we have enrolled 46 delegates across two cohorts, spanning across our UK and US businesses, and our joint venture partners.
- Currently, 39% of our jobs are filled by internal promotions and moves, demonstrating our commitment to developing our colleagues internally.
- Our employee engagement index is 80%.

Our key performance indicators (KPIs)

We use a range of metrics through which we measure Group performance. In 2024/25, these metrics were aligned to our five strategic priorities.

Link to remuneration

Remuneration of our Executive Directors, and our employees, is aligned to the successful delivery of our strategy. We use a number of our KPIs/alternative performance measures as specific measures in determining the Annual Performance Plan (APP) and Long-Term Performance Plan (LTPP) outcomes for Executive Directors. These measures are either specifically accounted for in remuneration targets or considered as part of a review of wider business performance.

Read more in the Directors' Remuneration Report on **pages 121 – 149.**

Deloitte assured data

We engaged Deloitte LLP in the current year and PricewaterhouseCoopers LLP (PwC) in the prior years to undertake a limited assurance engagement, using the International Standard on Assurance Engagements (ISAE) 3000 (Revised): 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and ISAE 3410: 'Assurance Engagements on Greenhouse Gas Statements' over a range of data points within our Responsible Business data tables. The metrics identified with the leaf symbol, featured on page 1, pages 20 – 21 and page 77 are included in the scope of their work. Details of Deloitte's assurance opinion and National Grid's reporting methodology are set out in the Responsible Business section. Please refer to page 58.

Link to strategy

- Enable the energy transition for all
- Operate safely and efficiently
- Build the networks of the future now
- Build tomorrow's workforce today
- Deliver for our customers

Indicates an alternative performance measure

Deloitte assured data 2024/25

PwC assured data 2023/24

Financial measures

KPI and performance

Underlying EPS (p)*

73.3p

2024/25	73.3p
2023/24	72.1p
2022/23	68.9p

Link to strategy

Description

This is a measure of the Group's profitability for the year attributable to equity shareholders of the Group. It excludes exceptional items, remeasurements, timing, impact of deferred tax in UK regulated businesses (NGET and NGED) and US major deferrable storms (net of in-year allowances and deductibles) if these exceed $100 million threshold in a year.

As part of our five-year financial framework, we aim to grow Underlying EPS by 6-8% CAGR over the period to March 2029**

Progress in 2024/25

Underlying EPS grew by 2% year-on-year, driven by strong performance in New York, New England and UK ET coupled with lower finance costs more than exceeding the increase in share count driven by the Rights Issue. This is partly offset by lower profit from our non-regulated business and lower contribution from our share in joint ventures.

KPI and performance

Group capital investment (£m)

£9,847m

2024/25	£9,847m
2023/24	£8,235m
2022/23	£7,593m

Link to strategy

Description

This KPI measures our annual investment into property, plant and equipment, including capital prepayments, intangible assets and equity contributions to joint ventures and associates. Investing in our assets helps to increase our future revenue allowances.

We expect to invest around £60 billion between April 2024 and March 2029

Progress in 2024/25

Group capital investment has increased by 20% on 2023/24 driven by a step up in critical energy infrastructure investment across our regulated businesses, including higher connections spend and early Accelerated Strategic Transmission Investment (ASTI) investment in UK ET and increased spend on new transmission projects in New York.

* Prior year comparatives restated to reflect the impact of the bonus element of the Rights Issue.
** From a baseline of 2024/25 Underlying EPS.

Financial measures

KPI and performance

Green capital investment (£m)

£7,667m

Link to strategy

Description

In calculating green capital investment we measure the proportion of our capital investment that supports environmentally sustainable practices and contributes to the energy transition. Green capital investment excludes capital prepayments and equity investments in joint ventures and associates.

We expect to invest around £51 billion in green capital investment between April 2024 and March 2029

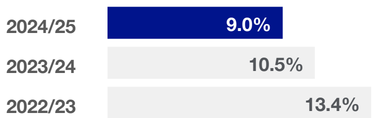
Progress in 2024/25

In 2024/25, we delivered £7.7 billion of green capital investment aligned to the EU Taxonomy, a £1.7 billion increase on 2023/24. This consisted primarily of investment in key infrastructure projects to support the energy transition, driven by a 33% increase in electricity network investments and a 16% increase in leak-prone pipe replacements across our gas networks.

KPI and performance

Group RoE (%)*

9.0%



Link to strategy

Description

In calculating Group RoE, we measure our performance in generating value for shareholders by dividing our regulated and non-regulated financial performance, after interest and tax, by our measure of equity investment in all our businesses, including our regulated businesses, NGV and other activities and joint ventures.

Our aim is to achieve around 10% Group RoE each year

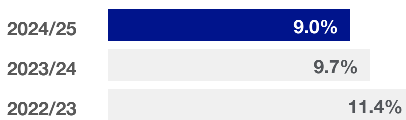
Progress in 2024/25

During 2024/25 we achieved Group RoE of 9.0% compared with the 10.5% achieved in the prior year. In 2024/25 the metric has been impacted by lower gearing (as a result of the Rights Issue) which, along with ongoing asset growth, has increased the metric denominator.

KPI and performance

Asset growth (%)**

9.0%



Link to strategy

Description

Maintaining efficient growth in our regulated and non-regulated assets ensures we are well positioned to provide consistently high levels of service to our customers and increases our future revenue allowances. This includes critical investment for a changing climate and increased demand.

Our aim is to achieve c.10% CAGR asset growth April 2024 to March 2029 (from a March 2024 baseline)

Progress in 2024/25

Asset growth during the year was 9.0% compared with 9.7% in 2023/24 driven by £9.8 billion of Group capital investment. Asset growth is lower than in 2023/24 predominantly due to negative growth in our non-regulated businesses and reduced indexation on UK RAV due to lower inflation. Regulated asset growth is 10.5% compared with 9.1% in 2023/24 driven by a step-up in investment in UK ET and NY.

* Prior year comparatives have been restated to reflect the change in our 'Group RoE' definition. Refer to page 294 for the updated definition and reason for methodology change.
** Normalised for the sale of UK ESO in the year.

Our key performance indicators (KPIs) continued

Non-financial measures

KPI and performance

GHG emissions

Scope 1 and 2 emissions ($mtCO_2e$)

7.4

2024/25	7.4
2023/24	6.9
2022/23	7.3

Scope 3 emissions ($mtCO_2e$)

28.4

2024/25	28.4
2023/24	27.4
2022/23	27.9

Figures are in million tonnes of CO_2 equivalent.

Link to strategy

Description

We are delivering new infrastructure to enable the digital, electrified economies of the future. Our biggest contribution to reducing greenhouse gas (GHG) emissions, both across society and in terms of our own emissions, is what we do to enable the transportation and distribution of clean energy in the regions where we operate. We understand the importance of partnership and are actively engaging with governments, regulators, and the energy industry to ensure the policy and regulatory frameworks required for future investments in decarbonising the energy sector, and reducing our emissions, are in place.

Ultimately, we are helping to tackle climate change by enabling the energy transition for all and targeting net zero for our own emissions by 2050.

Progress in 2024/25

Scope 1 and 2 emissions for 2024/25 were 7,422 $ktCO_2e$, outside of the range set out in our Climate Transition Plan, demonstrating the likely nonlinear trajectory of our emissions targets. This is a decrease of 4.4% against our 2018/19 baseline. The increase in emissions in 2024/25 is largely due to an exceptional year of increased combustion of oil and gas at National Grid Generation on Long Island, attributable to contractual obligations with the Long Island Power Authority (LIPA). Our Scope 3 emissions (excluding sold electricity) for 2024/25 as per our SBTi target were 25,566 $ktCO_2e$, representing a 5.8% increase against our 2018/19 baseline caused by our increased capital investment in constructing new energy infrastructure.

You can read more about our GHG emissions and environmental performance on pages 44 – 47.

You can read more about the Task Force on Climate-related Financial Disclosures (TCFD) and our wider sustainability activities and performance on pages 59 – 77.

KPI and performance

Group lost time injury frequency rate (LTIFR)

(LTIs per 100,000 hours worked)

0.10

2024/25	0.10
2023/24	0.08
2022/23	0.11

Link to strategy

Description

Every day we strive to do the right thing, find a better way, and make it happen. Safety is our highest priority for our employees and the public. One of our main safety indicators is LTIFR. This is the number of worker LTIs per 100,000 hours worked in a 12-month period (including fatalities) and includes our employee and contractor population.

Our aim is to achieve 0.1 or below LTIs per 100,000 hours worked per year

Progress in 2024/25

Safety is an important factor within decision making for our Executive Directors' remuneration, reflecting the expectation that safety is an integral part of how we work at National Grid.

This year. we achieved a LTIFR of 0.10, compared to 0.08 in 2023/24, primarily driven by an increase in reporting of incidents such as trips, falls and manual handling injuries. This reflects our continued focus on encouraging good safety behaviours across the entire workforce.

You can read more about our LTIFR performance in the Responsible Business review on page 56.

KPI and performance

Employee engagement index (%)

80%

2024/25	80%
2023/24	81%
2022/23	81%

Link to strategy

Description

This is a measure of how engaged our employees feel, based on the percentage of favourable responses to questions repeated annually in our employee engagement survey.

Our aim is for our employee engagement metrics to remain at or above the high-performing norm (as benchmarked by our external survey provider)

Progress in 2024/25

We run an employee engagement survey, Grid:Voice, twice-yearly, to understand and act on colleague feedback. This allows us to build a culture that is purpose-led and results-driven, with a great colleague experience. As a result, we enjoy high engagement and strong advocacy, above external benchmarks.

This year, 79% of colleagues took part in the survey (last year: 78%) and our employee engagement index score was 80% favourable. The score has remained consistent to prior years, however, three points below the high performing companies norm in the current year.

Non-financial measures

Network reliability and interconnector availability

We aim to deliver reliability by planning our capital investments to meet challenging demand and supply patterns, designing and building robust networks, and having risk-based maintenance and replacement programmes, and detailed and tested incident response plans. We measure network reliability separately for each of our business areas.

Network reliability %		2024/25	2023/24	2022/23
UK ET		**99.99983**	99.999998	99.99997
UK ED		**99.98294**	99.99261	99.99453
NE ET		**99.98544**	99.97549	99.95212
NY ET		**99.84345**	99.97168	99.97189
NE ED		**99.97724**	99.94327	99.96824
NY ED		**99.94077**	99.92823	99.92384
Interconnector availability				
IFA interconnector		**79.4**	82.0	51.7
IFA2 interconnector		**74.9**	71.2	95.7
BritNed interconnector		**75.6**	98.0	99.9
Viking interconnector		**91.7**	N/A	N/A
NSL interconnector		**95.0**	95.9	86.7
Nemo Link interconnector		**98.8**	96.8	98.1

Link to strategy

In both the UK and US, we continued to maintain high levels of reliability on all our networks.

Viking Link achieved its first full year of operation, achieving excellent 91.7% availability across the year. IFA has seen decreased availability this year due to increased planned and short unplanned outages. BritNed has also seen decreased availability due to an extended planned outage and an unplanned outage due to a cable fault.

Customer satisfaction

We measure customer and stakeholder satisfaction, while also maintaining engagement with these groups and improving service levels.

	2024/25	2023/24	2022/23	Target
UK ET (/10)	**6.5**	7.2	7.2	7.7
UK ED (/10)	**8.98**	8.97	8.99	9.12
NE residential – Customer Trust Advice survey (%)*	**53.9**	57.5	59.3	—
NY residential – Customer Trust Advice survey (%)*	**61.1**	64.5	63.8	—

We are committed to efficiently connecting millions of people to the energy they use. In UK ET, we follow the Quality of Connections Incentive, for which it was a challenging year due to the rapidly growing connections pipeline and its impact on connection dates. We are working closely with others across the industry to address the challenges caused by the current connections pipeline.

In UK ED, we investigate areas of good practice across our licence areas, developing actions to deliver year-on-year improvement toward our target.

In the US, both regions faced high inflation and a long, unseasonably cold winter, causing impacts on affordability and negatively affecting our customers' sense of value. Our teams are working on enhancing business processes, expanding our energy efficiency and outreach, as well as adopting the latest technologies and undergoing training to drive improvements.

You can read more about our customer satisfaction scores in the Responsible Business review on pages 48 and 50.

* The current year data for the Customer Trust Advice survey includes both commercial and residential customers to provide a comprehensive view of our entire customer base. Previously, only residential customer data was included. Therefore, prior year data has been recalculated to incorporate commercial customers for a consistent comparison.

Our stakeholders

Effective stakeholder engagement is key to achieving our long-term strategy

Section 172(1) Statement

The Board recognises its responsibilities to the Group's stakeholders and to wider society. The Directors strive to understand and consider the interests and views of stakeholders and take these into account in their decision-making. The Board is responsible for setting and monitoring the Group's culture and values, and these values guide the Directors in their decision-making.

The Directors consider all stakeholders when making key decisions, but recognise that not every decision will result in the preferred outcome for each stakeholder. The Board therefore seeks to balance the diverse and sometimes conflicting priorities and interests of the Group's stakeholders, ensuring that decisions support the long-term, sustainable success of the business and uphold a standard of business conduct aligned to our values and purpose.

Throughout the year, the Directors have acted in the way they considered, in good faith, was most likely to promote the long-term success of the Company for the benefit of its members as a whole, and have had regard to the matters set out in section 172 of the Companies Act 2006. Further information on how the Board has had regard to each of the matters is set out below.

Section 172 factor	Disclosure	Page
The likely consequence of any decision in the long term	Our strategic priorities	14
	Our business model	8
The interests of the Company's employees	Our stakeholders	22
	Responsible Business review	42
	Board workforce engagement	106
The need to foster the Company's business relationships with suppliers, customers and others	Our stakeholders	22
	Responsible Business review	42
	Board stakeholder engagement	23
The impact of the Company's operations on the community and the environment	Our stakeholders	22
	Responsible Business review	42
	TCFD	59
Maintaining a reputation for high standards of business conduct	Responsible Business review	42
	Corporate Governance overview	97
The need to act fairly as between members of the Company	Our stakeholders	22
	Responsible Business review	42
	Board stakeholder engagement	23

Delivery of the Group's long-term strategy can only be achieved by working with our customers and stakeholders, so we ensure we engage effectively with the right people at all levels of our organisation.

How we engage

Our stakeholder population continues to grow and diversify, and engagement with them is an integral part of our day-to-day business. Our approach remains to engage effectively and in a timely manner on the topics and decisions which matter most to our stakeholders, with engagement being led by the most appropriate colleagues. This involves everyone from our Board Directors, who regularly engage with key stakeholders, to working-level engagements supporting our day-to-day work, and all roles in between. We use the outputs of this engagement to inform the decisions we take to shape and deliver our strategy, with reporting mechanisms in place to enable a flow of information from our stakeholders to the Board and its Committees, and to help us act on what we hear.

Customers

Customers are the heart of our business. Regular and effective engagement with our customers is key to us delivering what they need and expect from us.

Interests	Our engagement	Outcomes
Our customer base is broad, from those we have served for decades, to an increasing number of new customers. Their interests are wide-ranging but all expect efficient and reliable service, and transparency and fairness in how we work with them. We endeavour to understand their needs and challenges, and how our activities can impact their lives and businesses.	• Senior leaders, including Business Unit Presidents, regularly meet customers to understand their strategic priorities. • Teams across the business continue to engage with customers on a day-to-day basis regarding new and existing connections, bill-related matters and social obligations, through one-to-one meetings, customer panels and a range of other channels. This has included managers in the UK ED Customer Connections team collaborating with customers one-to-one regarding local distribution connections amid ongoing regulatory reforms, and holding Community Energy events to understand the challenges our customers are facing. • The Board receives regular updates on customer matters and undertook two customer deep dives during the year.	• Our customer engagement helps shape what we do both operationally and strategically. Understanding our customers means we can better meet their needs for new connections and ongoing account management and informs longer-term policy. • In the past year, our UK customers have played a key role in shaping our RIIO-T3 business plan, and their views have also informed our input into a parliamentary inquiry into community energy. • In the US, our work with consumer advocates helped enhance state law to make affordability programmes more accessible to our customers.

Investors

We engage with equity and debt investors on strategy and performance. They play a vital role in enabling us to deliver the investment required for a secure, affordable and clean energy future.

Interests	Our engagement	Outcomes
Investors are interested in our financial and operational performance, which act as key indicators of our ability to provide attractive returns and credit worthiness. There is also increased interest in our Responsible Business commitments and reporting to provide assurance that investments are sustainable, ethical and responsible.	• During the year, the Chair, Chief Executive and Chief Financial Officer met with institutional investors in the UK and overseas as part of our comprehensive Investor Relations programme. • Meetings followed our full and half-year results and the announcement of our Rights Issue in May 2024. • The Board attended our 2024 AGM, a hybrid meeting allowing shareholders to participate in person or online. • The Chair of the Remuneration Committee led engagement with investors regarding a new Directors' Remuneration Policy. • The Board receives regular updates on Investor Relations matters from the Director of Investor Relations, along with a monthly Investor Relations dashboard report.	• Through our engagement, investors understand our investment case and have visibility on our strategy, performance and financial strength. This engagement helped us to efficiently access new debt and equity funding during the period, including the £7 billion Rights Issue. • The Remuneration Committee considered feedback from its engagement with investors in relation to the Directors' Remuneration Policy.

Colleagues

We listen to and engage extensively with our colleagues, and with the bodies which represent them, through a number of channels and processes. This enables us to understand their needs and requirements and build a culture that will help to drive our performance, shape our plans and develop a skilled and motivated workforce.

Interests	Our engagement	Outcomes
Colleague interests are wide-ranging. They have an interest in Company performance and what this means for them individually, but also want to understand, and play a part, in shaping our role in the industry and the delivery of our strategic objectives.	• Over the past year, we continued our extensive programme of colleague engagement. This has included: – a series of live webcasts to all employees, hosted by our Chief Executive – regular all-hands calls hosted by members of the Group Executive Committee and senior management – operational site visits by senior management • Members of our Senior Leadership Team engaged with employees via our internal communication and social media platforms, email and via our ERGs. • The Chief Executive and Chief People Officer provided regular updates on employee matters to the Board, including the results of our twice-yearly employee engagement survey, Grid:Voice. • The Board engaged with colleagues with its 'Full Board Employee Voice' approach which included site visits, and formal and informal meetings with talent cohorts and the wider workforce. Further information on Board and workforce engagement can be found on page 106.	• 79% of colleagues took part in our Grid:Voice survey, with an employee engagement index score of 80% favourable. The results and feedback helped to identify areas where we could do more to support employees.

Our stakeholders continued

Supply chain and delivery partners

Engaging with our supply chain and delivery partners, and working in partnership with them, helps us to find better and more innovative ways of delivering our commitments. We engage both strategically and tactically across a range of topics and projects.

Interests	Our engagement	Outcomes
In addition to day-to-day commercial interests, our supply chain and partners are interested in greater forward visibility and contractual commitments over a longer horizon to help them develop skills, build capacity and support innovation to meet our needs.	• Structured quarterly engagement takes place with strategic suppliers and contractors, complemented by Executive-sponsored senior-level engagement to foster collaboration and discuss strategic issues facing the sector. • Over the past year, this included development of an Industry Skills & Workforce Planning Group, consisting of representatives from key external partners, to address the industry skills gap challenge through a focus on critical specialist workforce roles. • The Board receives updates on the Supplier Engagement Programme via business unit updates during the year. Group Executive members are each assigned as sponsor to a select number of suppliers and provide feedback on engagement to the Board as required.	• Sharing details of key priorities with our supply chain and gaining a better understanding of their business needs allows us to jointly manage continuity of supply in the shorter term and to shape our approach to future challenges, such as the acceleration of network investment required to connect new sources of energy. • Alignment of UK Supply Chain Policy position has supported us in informing Government and Ofgem on changes required for connecting offshore wind. • We have signed up to the Prompt Payment Code and encourage our suppliers to adopt the principles of this code throughout their own supply chains.

Communities

We engage extensively with the communities within which we work, and with their representatives, to understand their needs, mitigate the impact we have on them and ensure we support them in the appropriate ways.

Interests	Our engagement	Outcomes
Our communities need us to deliver energy securely, reliably and affordably, while minimising the impact our operations have on them and supporting those who need it most.	• We engage with community stakeholders and members of the public to understand their views and what they expect from us. • We engage extensively with impacted communities as part of our major projects planning consultations, and we use their feedback to inform the proposals we submit for development consent. • During the year, Board members visited operational sites and received management updates on community matters, including our strategic infrastructure projects and the RIIO-T3 business plan submission. • Further details of how we engage with our communities can be found in ‘Our customers and communities’ on pages 48-50.	• Our outreach programmes continue to play an important role in supporting economic growth and the upskilling of communities, especially in the most socio-economically disadvantaged areas. • In the US, our engagement has helped secure a requirement for a comprehensive needs assessment for electric vehicle (EV) charging along highway corridors, which helps enable investment to meet the demands for the communities we serve. • In the UK, consultation with communities and residents living near our proposed new infrastructure projects is critical in helping shape our proposals and continues to be a key enabler for progression of new infrastructure projects.

Political and regulatory

We engage with regulators, governments and other key political stakeholders to support the regulatory and policy frameworks required to deliver current and future energy needs. We work closely with our regulators on rate cases in the US and price controls in the UK.

Interests	Our engagement	Outcomes
The interests of our regulators and political stakeholders are based around a common theme – whether UK or US, state or federal – to protect the interests of customers and to deliver a secure, affordable and clean energy future.	The Board met with NESO and NYISO in November 2024 and received updates across the year on political and regulatory matters. Engagement included: • Our New York President updating the NYPSC Chair and Commissioners on strategy, performance, and how we support State policy goals. • Our New England President and leadership team engaging with the Massachusetts Department of Public Utilities (MADPU) Chair and Commissioners on innovation, grid resilience and affordability. • Our Federal Government Relations team engaging Congress and the Biden and Trump administrations on affordability, load growth, reliability, tax and permitting. • UK Executive and working-level colleagues engaging with Ofgem on the development of NGET’s RIIO-T3 business plan and the ED3 regulatory framework, and with the UK Government on its policy agenda, including the plan for Clean Power 2030.	Our engagement in the US has led to: • A Massachusetts Electric Rate Case order which provides five-year certainty for planned network investments and numerous performance incentive pathways. • Approval of the ESMP strategic roadmap. • Filing of a Joint Proposal with NYPSC for a three-year rate settlement at our Niagara Mohawk upstate New York electric and gas businesses. In the UK, our engagement has: • Supported the development of a new regime for grid connections as well as proposals for planning reforms. • Supported the creation of new Government guidance outlining ‘Community Funds for Transmission Infrastructure’, published in March 2025.

Our Business Units

UK

UK Electricity Transmission

Highlights

National Grid Electricity Transmission is the backbone of the UK energy system, supporting the growth of British business and acting as a critical enabler in meeting the country's Clean Power 2030 aspirations. In 2024/25 we continued to deliver safely for our customers and stakeholders with strong operational and financial performance. We have delivered more network capacity, connected more renewable energy, innovated and improved on our excellent financial performance compared to the previous year. Our Strategic Infrastructure unit, set up in 2023 to focus on the ASTI projects, is now well established to deliver those major projects. Our Great Grid Upgrade is underway.

Enable the energy transition for all

In December, we submitted our five-year business plan to Ofgem. This plan is the largest overhaul of the UK electricity grid in generations and will significantly reduce the UK's reliance on fossil fuels. The UK ET plan sets out investment of up to £35 billion between 2026 and 2031, around two and a half times UK ET's investment over the previous period (RIIO-T2). This investment will transform our network, nearly doubling the amount of power we can transfer across the country, providing twice as many customer connections as in the last five years and avoiding c.£12 billion of constraint costs, where there is less capacity on the network than unconstrained market positions would seek to utilise.

Build the networks of the future now

We have commenced construction of six ASTI projects, including Eastern Green Link 1 and 2 comprising 700km of high voltage direct current (HVDC) subsea cables straddling the English and Scottish borders, which has an estimated investment of over £4 billion. We have secured primary delivery partners for eight of the remaining 11 ASTI projects with the remaining three projects in the final stages of procurement. Construction will commence once public consultations have completed and consents granted. We are working to deliver a number of other major infrastructure projects – we are re-wiring the capital in the London Power Tunnels project to improve network resilience, connecting the Hinkley Point C nuclear power station to help make net zero a reality, and delivering visual improvement projects in areas of natural beauty such as Snowdonia. We have taken a site strategy approach to consider multiple drivers for investments, including customer, infrastructure upgrade, asset failure risk and SF_6 (sulphur hexafluoride) emissions to identify substations to be rebuilt or decommissioned in RIIO-T3.

Our supply chain task force is collaborating closely across the industry and transforming how we think about procurement. This is in the context of competition for resource creating global supply chain constraints, with many countries upgrading their grids to connect renewable energy. While there is some inflationary risk around the evolving US Government position on tariffs, the impact of the US tariffs is not expected to be material relative to our spend. Over the last 12 months, we have launched three major initiatives to improve how we work in partnership with our supply chain – the Great Grid Upgrade, HVDC partnerships and a regional delivery model.

We remain committed to reducing our SF_6 emissions by 50% by 2030. To achieve this, we have collaborated closely with suppliers and universities, successfully trialling innovative leak repair technology, enabling us to avoid outages and keep electricity flowing while we work. Increased availability of SF_6 free technology will be critical to reducing future emissions and meeting this target.

Deliver for customers

This year we have continued works to connect the world's largest offshore wind farm, Dogger Bank, connected the UK's largest transmission-connected battery energy storage unit (at the time of connection), connected the Greenlink interconnector between the UK and Ireland, and completed our first grid park at Sundon substation in Bedfordshire. Grid parks are a new and innovative way to connect renewable energy to the network, requiring fewer system outages and less commissioning resource, enabling more renewable energy to connect to the electricity grid more quickly at a lower cost.

We have collaborated closely with stakeholders across the industry to establish widespread agreement on the principles of the reforms needed to reduce connection timescales. The reforms are set to go live in spring 2025 to address a connections pipeline (in excess of 420 GW) that is more than three times the most ambitious net zero scenario published by the National Energy System Operator (NESO) and rapidly growing demand for data centre connections. Demand for data centre connections now totals 13.5 MW, the equivalent of connecting four Hinkley Point Cs to our network. Our T3 proposals will allow us to meet the increase in demand head on by ensuring that there is flexibility to respond to evolving customer requirements.

In May 2025, the NESO published its interim report investigating the outage following the fire at our North Hyde electrical substation in March 2025. The report establishes the timeline and sequence of events, and outlines further steps required ahead of the NESO delivering their final report, expected in June 2025. These investigations provide an opportunity to stand back and look together at how we can increase collaboration to ensure the resilience of important national infrastructure.

Read more about our business units on pages 256 – 261

Our Business Units continued

Operate safely and efficiently

Our Lost Time Injury Frequency Rate (LTIFR) was 0.07 for our contractors and 0.07 for employees against the world-class safety standard of 0.10. This is an improvement in the safety performance of our contractors and follows a concerted effort on contractor safety, including embedding minimum contractor training standards in contracts.

Over the course of 2024/25 we delivered £32 million of totex synergies from integration with Electricity Distribution and over £14 million of enduring opex savings.

Build tomorrow's workforce today

Our RIIO-T3 plans are a step-change in how we invest in our people and plan our workforce. To deliver our commitments, we will expand our workforce, retain our experienced colleagues and upskill our people with the skills needed for the energy sector of tomorrow. We will continue to build a high-performance culture that has safety at its core. We have already embarked on this journey, expanding our workforce by over 600 employees to end the year close to 4,000 employees.

Looking ahead

The decisions we make in the next five years will shape the energy system, our economy and our society for generations to come. By the end of RIIO-T3, we will have nearly doubled the power that can flow across the country, reorienting the UK's once coal and gas reliant legacy system into one based on renewable energy and delivering the energy infrastructure needed for a digital economy. 2025/26 and RIIO-T3 will see Electricity Transmission power the country through change, supporting economic growth and decarbonisation as we deliver the grid of tomorrow, today.

UK Electricity Distribution

Highlights

UKED plays a vital role as the region's engine for growth. Every day we support 20 million customers across 8 million homes and businesses, delivering reliable electricity and connecting people to the electricity they need to power their lives.

Over the last year, UK ED has recorded strong operational and financial performance as we expanded our network, connected new demand and generation customers, and provided a safe and reliable service across four licence areas. We continue to provide an excellent service for our customers, with an average satisfaction score of around 9/10.

With a change of government and an ever-increasing focus on the future role of networks, we are shaping policy that impacts our sector and our region. The results of our extensive engagement effort can be seen in the publication of the National Infrastructure Commission's report into electricity networks, and in our early engagement on the ED3 regulatory framework.

We are hard at work building the electricity network of tomorrow, today.

Enable the energy transition for all

Throughout 2024/25, we have continued to focus on customer affordability and are proud of the support provided to our most vulnerable customers. Our first Customer Vulnerability Report in 2024/25 sets out how we helped 21,000 customers to save a total of £22 million through our fuel poverty programmes, as well as how we have continued to grow our Priority Services Register. We have also delivered a step change in our external engagement, shaping national and regional policy and ensuring we are supporting stakeholders with their growth and net zero agendas.

Over 4,500 stakeholder interactions took place through the year, making sure National Grid's voice is heard on the issues that matter, such as the future development of electricity networks, the ongoing development of Regional Energy System Planners, Local Area Energy Plans, and Connections Reform.

During the year, we awarded nearly £1 million to 247 grassroots organisations through our Community Matters Fund and our new colleague volunteering programme enabled our people to volunteer over 10,000 hours to support local causes. We won the Corporate Community Local Involvement Award for impactful partnerships at the Charity Times Awards. Through our Solar for Schools initiative, we installed solar panels on five schools, and we launched new safety education resources for 4,953 schools, educating over 85,000 children on electrical safety.

Build the networks of the future now

In 2024/25, we powered growth across the Midlands, South West and South Wales, connecting new homes and businesses, over 40,000 electric vehicle charge points, 40,000 domestic solar PV installations and 16,000 heat pumps. In addition, we connected 595 MW of clean, renewable electricity to the grid, and through our Major Connections Strategy accelerated timelines for 2.9 GW of distributed energy resources by an average of 5.8 years in support of local net zero ambitions. This included the award-winning Horsey Levels solar farm in Somerset.

Read more about our business units on pages 256 – 261

Our new Connections team has been a leading voice in connections reform, forming strategic partnerships with customers, including Octopus Energy and RWE. We held our first ever 'Connections Hackathon' event (in partnership with Octopus Energy), to facilitate collaboration in the development of solutions to enhance the overall connections process. We championed the phrase 'first ready, first needed, first connected' which has been adopted by NESO and now used widely in industry materials.

Our new ClearView products, ClearView Connect and ClearView Charge, are designed to increase transparency of data and information for customers ahead of the connection pre-application stage.

During the year, we launched our DSO strategy and continued to drive participation in energy flexibility programmes to better utilise network capacity and make room for growth. Our independent DSO Panel, comprising industry experts representing a broad range of stakeholder views, is adding strategic value by scrutinising DSO outputs. We have seen a strong performance in DSO incentives.

Deliver for customers

In the period we scored an impressive 8.98 out of 10 for Combined Broad Measure Customer Satisfaction and maintained high network reliability of 99.98294%.

Our network successfully navigated a difficult storm period. This included responding to Storm Darragh, the largest storm faced by the region in decades, with 96 mph winds and two red weather warnings. We recorded over 4,000 incidents during Darragh, with around 750,000 customers impacted, three times more than during Storm Arwen in 2021. Responding to the storm required a full scale response from the whole business and, through prompt deployment of colleagues and contractors and a fleet of five helicopters, we were able to restore power to 95% of customers within 48 hours. We also took proactive measures to keep customers informed through 22 broadcast media interviews, with additional interviews carried out in Welsh for Welsh-speaking customers.

We are also proud to have provided support to other DNOs in Ireland, Northern Ireland and Scotland in the form of field crews and helicopters during Storm Éowyn.

We were successful in securing funding through the Storm Arwen Reopener, which will further enhance network resilience through undergrounding high voltage overhead lines in wooded areas and introducing pre-fix technology.

Operate safely and efficiently

We are committed to ensuring the safety of every colleague. In 2024/25 we designed and delivered a company-wide behavioural safety training programme and have trained over 6,000 colleagues to date. Our Lost Time Injury Frequency Rate increased to 0.18 against the world-class safety target of less than 0.10, but the severity of recorded incidents has fallen.

We have exceeded our 2024/25 synergy target across National Grid Group, delivering £88 million of cumulative benefit since acquisition, with high confidence to exceed the £100 million target by the end of 2025/26.

Build tomorrow's workforce today

We continue to invest in our workforce, hiring over 670 people in 2024/25 boosting our workforce to over 7,000 people working to ensure a safe, reliable, and growing regional network. It's not just our direct workforce, but our work also supports thousands more jobs throughout the supply chain.

We have continued to enhance our workforce capability by focusing on developing effective leadership through targeted development interventions and implementing a strategic workforce plan that provides a clear and forward-looking view of our future needs. We have also continued to hire a significant number of apprentices and promote social inclusion through our entry level Craft Attendant role, which is reducing barriers to talent entering our sector.

Looking ahead

In January 2025, we submitted our ED3 Framework Consultation Open Letter, setting out our thoughts on the approach to the next regulatory price control. The response emphasises the need for a transformative approach to electricity distribution networks to meet the UK's net zero targets by 2050. We also fed into the National Infrastructure Commission study helping to shape the future of distribution networks.

We will continue with engagement to influence and shape Ofgem's Sector Specific Methodology Consultation for RIIO-3 alongside the Energy Networks Association which is expected in Q3 2025.

Read more about our business units on pages 256 – 261

Our Business Units continued

US

New England

Highlights

New England is focusing on business fundamentals, prioritising key initiatives that drive results and executing consistently to deliver our five strategic priorities. We connect our customers to the energy they need, while delivering strong operational and financial performance. We invested over $2 billion in our networks in 2024/25 while maintaining our focus on safety. With a new Rate Case Order for the Massachusetts electric business (MECO) and an approved Electric Sector Modernization Plan (ESMP), we are well positioned to deliver the infrastructure required to help meet energy demand, improve the customer experience and enable economic growth in our region.

Enable the energy transition for all

Our ESMP, or Future Grid Plan, was approved as a strategic roadmap by the Massachusetts Department of Public Utilities (MADPU). The five-year plan, designed to help Massachusetts meet its clean energy goals, outlines c.$2 billion in anticipatory investments in the NE electrical network which are foundational to meeting future energy demand, projected to more than double by 2050.

We received the MECO rate case order to fund the investments needed to maintain and improve reliability to support increased load growth on the distribution network with timely cost recovery. The approval of the capital recovery mechanism will enable us to invest at the pace required to meet customer needs and is a shift toward forward-looking ratemaking by the regulator. The core rate case can fund increasing capital requirements that are incremental to the ESMP. The order also favourably addresses the affordability and equity needs of our customers through multi-tiered low-income discount rates and provides performance incentive mechanisms aligned with increasing distributed energy resource interconnections and enrolment in low-income assistance programmes.

This year we concluded a five-year project across our southeastern Massachusetts and Rhode Island transmission network to improve asset conditions and reliability, the largest ever project completed by our internal Transmission Line Services team. This extended the life of 345 kv circuits across four transmission lines, replaced over 750 poles and towers, and added over 100 miles of optical ground wire.

In addition, we connected over 197 MW of distributed energy resources, reduced lead times for those connections, and enabled the installation of 19.2 MW of EV charging infrastructure.

Build the networks of the future now

To more efficiently deliver our electric capital project portfolio, we built new capability, transformed how we secure long-term resources, and developed demand forecasts for key materials in categories with the highest market risk and criticality to 2030.

The implementation of our Future Grid Plan will be supported by a streamlined siting and permitting process codified in comprehensive climate legislation signed into law in November 2024.

We continued to expand our fault location isolation and service restoration (FLISR) capability that enables self-healing networks and improved reliability. In 2024/25 NE had c.70 successful FLISR operations which restored power to 86,000 customers within a minute and avoided 14 million minutes of customer outages. Currently, 24% of our customers are covered by a FLISR scheme and we continue to deploy it across the state.

In our gas business we replaced 134 miles (216 kilometres) of older leak-prone metal pipe to improve network safety and reduce methane emissions. We also continued to scale the use of low-dig technology to seal over 800 joints. As part of the DPU's requirement to evaluate non-pipeline alternatives, we are now progressing geothermal pilot activities in Boston and integrated energy planning to learn more about the practical realities of transitioning customers from gas to electric.

Deliver for customers

Significant steps were taken to improve the customer experience and deepen customer-centricity across all of our operations by focusing on foundational processes and evolving the structure and systems required for the future. We established an Account Management Team to better serve and connect our largest customers and continued to enhance our digital platforms to make it easier for customers to do business with us. We also successfully completed a billing system conversion, putting all six million of our US customers onto one platform. While the migration was successful, there were some issues leading to bill delays for some gas customers that arose over the winter, and which were subject to remediation following an order from the DPU.

Our Advanced Metering Infrastructure (AMI) programme is underway, installing the first 17,000 smart meters this year towards our over one million meter goal. AMI infrastructure will provide real-time energy insights to customers and provide opportunities for energy efficiency.

We have managed several storms, continuing to be recognised for exemplary performance in our service territory and in support of peers in the aftermaths of hurricanes Helene and Milton, including emergency response awards from the Edison Electric Institute.

Read more about our business units on pages 256 – 261

Operate safely and efficiently

Our LTIFR in the year was 0.08 which is consistent with the prior year. We are committed to serious injury and fatality reduction initiatives and to ensuring that all colleagues are engaged with safety matters and safety excellence. In our bi-annual Safety Culture Survey engagement rose significantly with results placing us in the top quartile of industry peers. The gas team received a recognition award for incident reduction and safety culture from the Northeast Gas Association.

Our business achieved operational efficiencies of $30 million this year through various actions, including enhanced reliability management in our electric business, higher utilisation of customer self-service tools and reduced leak work load.

Build tomorrow's workforce today

Our Strategic Workforce Development Programme partners with academic, community-based and training organisations to provide trainees with career exposure, mentoring, intern and employment opportunities within National Grid. Nearly 100 graduates from our Clean Energy Academy programme have been hired into roles across the business.

Looking ahead

We are committed to delivering the capital projects that our customers and communities are counting on, from physical infrastructure to innovative enabling technologies. And we will coordinate all efforts to achieve the regulatory and policy outcomes critical to our business, including the implementation of our MECO Rate Case and ESMP while keeping affordability a core component of our mission to provide safe, reliable energy.

New York

Highlights

New York continues to perform well across our 26,400 square mile service territory. As we progress toward a smarter, stronger, cleaner energy system, decarbonising our networks remains a priority. In August 2024, we received approval from the New York Public Service Commission (PSC) for a three-year rate settlement for our down state gas distribution businesses, KEDNY and KEDLI. In May 2024, Niagara Mohawk filed a joint proposal with the PSC to enhance system reliability and advance New York's clean energy goals.

Enable the energy transition for all

The KEDNY and KEDLI rate case agreement includes approximately $5bn in capital investments to ensure the reliable and safe operation of the network. Additionally, the agreement provides funding for programmes to promote energy efficiency and reduce emissions, and initiatives to assist vulnerabile customers.

Niagara Mohawk's filing proposes resetting electricity and natural gas delivery prices and focusing on maintaining critical infrastructure, improving customer service, with additional assistance to vulnerable customers, promoting economic growth, and preparing electricity and gas networks for the energy transition. The PSC Board's decision is expected in summer 2025. The NY Proactive Planning Proceeding enables anticipatory investment for economic development and to electrify heat and transportation. We proposed a capex portfolio of urgent upgrade projects, which we will move forward with on receipt of the PSC order.

Build the networks of the future now

Our Upstate Upgrade is a $4 billion investment to transform the electricity delivery system and propel economic growth across upstate New York. The multi-year initiative includes replacing and rebuilding transmission lines, building and reconfiguring substations, deploying state-of-the-art technologies to improve resiliency and reliability, and connecting clean energy produced locally. The projects will improve service to our 1.7 million customers, benefit the regional economy, and support the goals of New York's Climate Leadership and Community Protection Act (CLCPA).

Today, our New York Future of Electric Networks plan has enabled over 5,000 charging ports and connected 2,100MW of distributed energy resource (DER). To support the increase of renewables coming online, we have streamlined the connection process, achieving faster connections to our large scale renewables, DERs, and EV customers.

To boost network efficiency and grid management, we completed installation of over 775,000 smart meters, covering more than a quarter of our customers, with a goal of 100% in four years. In parallel, we launched the Sense app for customers. It provides real-time energy insights at the appliance level to drive behavioural shifts.

Read more about our business units on pages 256 – 261

Our Business Units continued

We commissioned the largest dynamic line rating (DLR) project in the US using 26 LineVision sensors on four 115kV lines in Western New York. This allows us to reduce curtailment of renewable energy and congestion in constrained areas, limiting unnecessary transmission upgrades and new builds. Additionally, we commissioned our first digital substation in Oswego. We are exploring the benefits that digitising can bring in reducing construction, operation and maintenance costs while improving safety and reliability.

We continue to deploy FLISR technology. In 2024/25, we have avoided more than 28,000 service interruptions and more than 5 million minutes of customer downtime.

Our downstate New York rate case approved funding for the connection of four renewable natural gas (RNG) facilities. These projects will convert food waste and/or wastewater sludge to produce approximately 1.15 million dekatherms per year of RNG. This is equivalent to annual natural gas demand from approximately 9,200 homes, avoiding approximately 590,000 metric tonnes of CO_2 emissions per year.

Our strategy aims to leverage innovation to future proof our business. Examples include the EV Charge Smart Plan, which helps makes electric vehicle charging at home affordable, flexible and environmentally friendly with nearly 2,000 customers; and a collaboration with ULC Robotics to pilot a robotics tool to repair large numbers of leaking or leak prone gas joints.

We filed our long-term gas plan with the PSC, outlining our vision for the future of gas and the steps needed to put New York on track to achieve the CLCPA's emissions goals. We continue to engage with PSC and other stakeholders while awaiting feedback and direction.

Deliver for customers

Our electric operations successfully prepared for and responded to severe weather, including 16 major storm events. We achieved an electricity restoration rate of 95% within 10 hours for impacted customers.

We won six awards from Edison Electric Institute (EEI) this year for our restoration and assistance efforts after severe weather. Our crews were recognised for handling tornadoes in Western New York, thunderstorms and tornadoes in Central and Eastern New York, and strong winds, rains, and flooding from Hurricane Debby in Central and Eastern New York. Separately, our crews assisted in restoration in Central Hudson from severe thunderstorms in June 2024. We also deployed 98 crews to Tennessee, Virginia, and West Virginia in response to Hurricane Helene, and then deployed many of them to Florida to repair damage from Hurricane Milton.

In May 2024 we completed consolidation of our two US customer billing systems. This change will deliver improved customer experience and satisfaction, while addressing the high cost of change by eliminating manual processes. We have also enhanced our digital platforms, with increased capability for self-service, go paperless, and click-to-pay text. Our mobile app has biometric authentication, creating an improved log-in experience.

Our Project C initiative continues to deliver community benefits. During the annual Day of Service, over 2,200 colleagues volunteered at 38 events across New York. Since its launch four years ago, Project C has supported more than 1,700 community partnerships, planted or donated over 2,000 trees, trained 6,400 workers to grow the clean energy workforce, overall volunteering over 49,000 hours, making a lasting difference in our communities.

We awarded over $11 million in economic development funds for projects, including an electric infrastructure upgrade for a new $500 million food manufacturing facility in Franklinville, which will create and retain more than 400 jobs. We additionally awarded five agribusiness customers funds to install renewable energy systems on their farms.

Operate safely and efficiently

We continue to stand firm in our commitment to keep our colleagues, contractors, customers and the public safe. We ended 2024/25 with an LTIFR of 0.11, above our target. We continue to be laser focused on preventing serious injuries and fatalities and increasing safety engagement at all levels.

The Northeast Gas Association (NGA) gave us the Pipeline Safety Management System Recognition Award for outstanding commitment to safety and operational excellence. We received the award for demonstrating Operational Excellence in pipeline safety for our work leveraging technology and Intent Based Leadership, a

Read more about our business units on **pages 256 – 261**

framework that helps organisations create leaders at all levels to drive safety improvements.

We continue to focus on operating efficiently and effectively for our customers. Our business achieved operational efficiencies amounting to $59 million in 2024/25.

Build tomorrow's workforce today

To support business growth and proactively mitigate labour constraints, we have strategic workforce planning initiatives underway that will enable us to identify and forecast resource needs and plan our workforce for the next 10 years. We identified a need for over 500 additional employees to support growth in the New York electric business over the next 10 years (a 20% increase in workforce), including over 350 new roles in the next three years. We have enhanced recruitment and retention strategies for difficult-to-hire and niche roles to close capability and headcount gaps through early career, graduate development and Gridtern programmes.

Looking ahead

We will continue to focus on scaling operations to meet electric growth opportunities, including increased loads, electrification of heat and transport, and renewable energy expansion.

We will concentrate on the long-term role of the gas network, alongside electrification, in the New York economy by using lower carbon fuels and enhancing energy efficiency, reducing emissions and maintaining a safe and affordable network.

We will continue our efforts to improve customer experience by simplifying business interactions, helping manage energy use, and supporting the adoption of clean energy technologies.

International

National Grid Ventures

Highlights

National Grid Ventures develops, constructs, operates and invests in energy assets and businesses across the UK and US which deliver revenue through stable, long-term regulated frameworks and contracts. The business prioritises asset performance and safety to ensure reliable delivery of energy to customers while developing opportunities for growth.

We operate six interconnectors with a total capacity of 7.8 GW, connecting the UK to France, Belgium, the Netherlands, Denmark and Norway. We have seen good availability across our interconnector fleet. Viking Link reached 92% availability, strong performance for a new asset. IFA2 experienced unplanned outages during the year which, together with outages at BritNed, contributed to an overall interconnector availability of 86% across the year.

Half of our interconnectors operate within cap and floor regimes, with revenues over the cap going back to UK consumers every five years. The continued strong performance of our interconnectors has enabled the return of an additional £89 million to customers in the current year. This is part of £277 million in returns to customers over the past two years, with a further £149 million forecast to be returned over the next two years resulting in a total return to customers of £426 million. IFA2, one of our two interconnectors operated jointly with French TSO RTE, experienced an unplanned outage in September 2024 due to technical issues in its UK converter station. The NGV team worked quickly to identify a solution and returned the asset to service within 66 days.

Our NGV US business continued developing and operating electricity transmission, generation, battery storage and LNG storage assets. Our electricity transmission joint venture, NY Transco, continued construction on its Dover project to improve grid flexibility and resiliency in New York and optimise interconnection to New England. NY Transco is also progressing Propel NY Energy, a 90-mile electricity transmission project that would improve Long Island's links to the state's grid and boost overall system reliability to ensure uninterrupted delivery of energy to high demand areas. Our East Hampton battery storage facility returned to service in July 2024 after the project experienced a fire in 2023.

Enable the energy transition for all

In May 2024, National Grid announced the planned divestment of National Grid Renewables and Grain LNG. In February 2025, NGV announced the sale of National Grid Renewables to Brookfield Asset Management with completion expected in the first half of 2025/26. We are progressing the planned sale of Grain LNG and expect to announce a buyer later this fiscal year.

During 2024/25, in light of developments in the US, we paused our development of Community Offshore Wind (COSW), a joint venture with RWE. Management subsequently assessed that the investment currently has negligible value and a £303 million impairment has been recognised as an exceptional item.

Read more about our business units on pages 256 – 261

Our Business Units continued

Build the networks of the future now

In the UK we continued to progress the development of the next generation of interconnectors. These offshore hybrid assets (OHA) will connect offshore wind farms to multiple countries via HVDC subsea cables. We achieved a major milestone in late 2024, receiving approval from Ofgem for an OHA pilot project: LionLink to the Netherlands, a joint venture with Dutch TSO TenneT. We have now agreed with Ofgem the final economic regulatory arrangements for the project, allowing us to order long lead items.

In the US, we are identifying attractive competitive transmission investment opportunities in the Northeast as well as in the Midwest and mid-Atlantic interconnection areas.

Grain LNG saw significant progress on the Cap 25 capacity expansion project, which is due to be completed in 2025/26. Once online, this will increase Grain LNG's storage capacity to 1.2 million m^3 and its throughput to meet 33% of GB gas demand.

Deliver for customers

NGV achieved a high customer satisfaction score of 87% across all business units.

In 2024/25, our interconnector portfolio continued to play an integral role in the UK's energy security by delivering 38 TWh, the equivalent of powering over 14 million households.

Our NGV US business progressed how it engages with its local communities and understanding of public sentiment. During 2025, we launched Doorstep, a community engagement platform to enable those most personally impacted by our projects to communicate their thoughts, providing us with real-time insights into local views.

Read more about our business units on pages 256 – 261

Operate safely and efficiently

We have a renewed strategy to drive meaningful improvements in how we report on and build safety culture, emphasising leading indicators and a proactive safety environment. In NGV, we were able to achieve an LTIFR in line with the Group's 0.10 target, and a Serious Injury and Fatality Frequency rate (SIFFR) of 0.00 this year, concluding the year without a single serious injury across the business unit.

The NGV US business has been celebrated as a leader in process safety excellence, with National Grid Generation ranking no. 2 out of 316 sites in a third-party safety audit of organisations worldwide. The business was also able to provide excellent availability and run time, meeting peak summer demands during a hotter-than-average summer season.

Our operational and safety performance contributed to successful financial performance.

Build tomorrow's workforce today

We strive to be an enjoyable and inclusive place to work. In this year's Grid:Voice employee engagement survey, 81% of NGV employees said they felt NGV was a safe place to say what they think, and that we are driving a culture of safety and innovation.

Looking ahead

Going forward, NGV will focus on interconnectors, including offshore hybrid assets, in the UK, and competitive electricity transmission projects in the US. Projects will be assessed for an acceptable risk-return balance and against the capital requirements of the wider Group.

Other activities

Highlights

Other activities primarily relate to National Grid Partners, the corporate venture capital and innovation arm of National Grid, as well as UK property, insurance and corporate activities.

In 2024/25, National Grid Partners invested more than $50 million in start-ups, including three new portfolio companies and 13 follow-on rounds. It now invests in 50 companies and five limited partner investments in strategic venture funds.

Looking ahead, we will continue to innovate and invest in the latest technologies to support the Group.

Internal control and risk management

The Board is committed to effective risk management in delivering our strategy, protecting our reputation and assets, and safeguarding the interests of our stakeholders.

Our ERM framework

National Grid is exposed to a variety of uncertainties that could have a material adverse effect on the Group's financial position, our operational results, our reputation and stakeholder interests; represented by our Principal Risks. These uncertainties are managed through our Enterprise Risk Management (ERM) Framework which includes our approach to internal control. It supports the delivery of our vision and strategy as described on the inside front cover and page 14.

We formally assess the effectiveness of our framework annually and carry out continuous monitoring and maintenance. This is supported by the results of the Certificate of Assurance (CoA) process as described on page 116.

The Board has confirmed the effectiveness of National Grid's system of risk management and internal control.

Governance and oversight

The Board is accountable for the Group's risk management and internal controls systems with oversight responsibilities carried out by the Audit & Risk Committee (see pages 112–118). The Board sets and monitors the amount of risk the Group is prepared to accept in delivering our strategic priorities and Principal Risks (our risk appetite).

The business then develops appropriate risk responses and mitigations to ensure risks are managed within appetite.

We deploy the 'Three Lines' model to deliver our risk management and internal control activities (see diagram below).

All Principal Risks are reviewed by the Group Executive Ethics, Risk & Compliance Committee and the Board at least twice annually.

Governance: Board and Audit & Risk Committee, Management Oversight Committees

Establishes the vision, values and strategic objectives of the business, and provides governance and oversight of the risk management framework and reporting. The Board sets risk appetite for the organisation.

First Line: Business

Applies the business practices, processes and controls to achieve business objectives and manage risk appropriately in line with risk appetite.

Second Line: Risk and Compliance Functions

The Chief Risk Officer establishes National Grid's ERM framework.

Second Line teams embedded in the business and functions provide advice, monitoring and assurance, and reporting for effective application of the framework.

Third Line: Corporate Audit

Provides independent assurance on the Company's system of risk management and internal control through delivery of the audit plan and other assurance work.

External assurance providers support Second and Third Line work where appropriate to provide independent perspectives, provide specialist expertise and ensure an efficient approach to risk and assurance work.

Risk is an inherent part of doing business and our risk management process aims to provide reasonable assurance that we understand, monitor and manage the main uncertainties that we face in delivering our strategic priorities.

The ERM framework applies to all risks of reasonable magnitude. Our Principal Risks and a summary of actions taken by management are provided in the table below. The Board reviewed the risks as part of the bi-annual Group risk review, which incorporates feedback and recommendations from relevant Board committees. Further information can be found on page 116.

We have provided an overview of the key inherent risks on pages 36 – 41, and specifically our key financial risks, which are incorporated within note 32 to the consolidated financial statements. Risk outlooks reported below consider the changing risk landscape, our risk response, including controls and any additional mitigation actions, and may be influenced by internal or external developments.

Read more on internal control and risk factors on **pages 262 – 268**

Group Principal Risks

There have been no changes to our Principal Risks, and we continue to assess, monitor and manage our risk exposure as described below.

Strategic Principal Risks

Strategic risks are risks, both internal and external, associated with the business model, corporate strategy and long-term planning.

1 **Satisfactory regulatory outcomes**

2 **Climate change mitigation**

3 **Political and societal expectations**

4 **People capability and capacity**

Operational Principal Risks

Operational risks arise from our core business practices, which rely on our systems, equipment, processes and people.

5 **Catastrophic cyber security incident**

6 **Significant disruption of energy**

7 **Upstream supply**

8 **Significant safety or environmental event**

9 **Major capital programmes**

Financial Principal Risks

Financial risks are risks associated with National Grid's ability to raise capital, maintain access to capital and deliver profitable growth.

10 **Financing our business**

Compliance Risks

Compliance risks relate to compliance with laws and regulations, industry standards, contract requirements and internal policy.

11 **Legal and regulatory compliance frameworks operate at a jurisdictional level (i.e. UK, US federal, New York and Massachusetts) and therefore apply across all relevant National Grid businesses**

Our principal risks and uncertainties

Link to strategy

- Enable the energy transition for all
- Build the networks of the future now
- Deliver for our customers
- Operate safely and efficiently
- Build tomorrow's workforce today

Risk outlook

- Increasing
- Decreasing
- No change

Strategic Principal Risks

1 Satisfactory regulatory outcomes

Description

There is a risk that we fail to influence future energy policies and secure satisfactory regulatory agreements because of lack of insight or unsuccessful negotiations leading to poor regulatory outcomes, energy policies that negatively impact our operations, impacts on market prices, reduced financial performance, fines/penalties, increased costs to remain compliant and/or reputational damage.

Impact on strategy:

Risk outlook:

Outlook is unchanged

Actions taken by management

The scale of change required to enable the energy transition is unprecedented, so we are focused on having the appropriate plans, relationships and levels of engagement to proactively shape price controls and rate case filings with clear positions and engagement/advocacy plans. There are also particular challenges in balancing affordability and reliability with necessary funding and investments alongside pressure to reduce customer bills.

We are developing a clear vision of how regulatory frameworks need to evolve and maintaining active dialogue and positioning with our regulators. This has resulted in:

- Strong progress on the ASTI framework and approvals.
- Successful sale of the ESO to the UK Government.
- Working with Ofgem and DESNZ to realign networks and connections reform with Net Zero 2030 targets.
- Progressive RIIO-T3 Business Plan (BP) submitted to Ofgem, including a more investable financial framework.
- Progressive response and engagement on the ED3 framework consultation promoting a major shift back to incentive and output-based regulation.
- Positive settlements on recent US rate cases and upcoming rate cases progressing well.
- Working with Corporate Affairs to adjust and position our external policy advocacy to support our regulatory objectives.
- Active monitoring of concurrent regulatory reforms being pursued by respective regulators.

Strategic Principal Risks

2 Climate change mitigation

Description

There is a risk that we fail to identify and/or deliver upon the actions necessary to meet our climate change targets and enable the wider energy transition because of poor monitoring and response to external developments associated with mitigating climate change, leading to legal risks or reputational impacts of not meeting our climate change targets and in the longer term reaching net zero by 2050.

Impact on strategy:

Risk outlook:

Outlook is unchanged

Actions taken by management

We continue to monitor the actual and potential impacts of climate change and implement risk management strategies to mitigate these risks as part of the energy transition, including:

- Setting near-term climate targets to align with the SBTi's 1.5°C pathway.
- Governance processes aligned with the aim of ensuring that emissions reduction strategy, policy, advocacy and external messaging is integrated throughout our business, and embedded into financial planning processes and performance management.
- Updated our Climate Transition Plan to include revised pathways and details on the dependencies, policies and regulation that are key to achieving our targets.
- Reporting on progress against our targets, including how we are addressing dependencies and policy and regulation to support progress.
- Changes to our sustainability operating model to help embed sustainability resources and capabilities in our business and provide greater clarity on roles and responsibilities.

Strategic Principal Risks

3 Political and societal expectations

Description

There is a risk that we do not position ourselves appropriately to political and societal expectations because of a failure to proactively monitor the landscape or to anticipate and respond to changes leading to reputational damage, political intervention, threats to the Group's licences to operate and our ability to achieve our objectives.

Impact on strategy:

Risk outlook:

Risk outlook increasing due to continued rapid change in external political and policy environments.

Actions taken by management

To address continued rapid change in the external political and policy environments, horizon scanning processes have been implemented to monitor and positively influence perceptions of our business and our reputation. Other mitigations include:

- Ensuring our operating model is positioned to support the business and deliver on requirements.
- Instituted a robust stakeholder engagement strategy.
- Considered a range of outcomes through scenario planning to ensure flexibility in our response processes aligned to the ever-changing external environment.
- Defined policy priorities aligned to the strategic priorities of the company.
- Developed a social impact framework to ensure strategic allocation of funding to advance our vision.
- Monitoring of media, social and political activities on a daily, weekly and monthly basis, and take appropriate action to ensure National Grid is able to engage ahead of the need to respond to the environment we operate in and serve the needs of customers, communities and stakeholders.
- Horizon scanning improvements have brought a global lens to cross-business impacts within our operating regions.
- Growth of our campaigns and communications across our operating regions to amplify our brand's vision and establish our brand as an innovative leader for energy networks.

Strategic Principal Risks

4 People capability and capacity

Description

There is a risk that we do not have, across our workforce and within our leadership, the capability or capacity necessary to deliver on existing or future commitments because of ineffective planning for future people needs, insufficient development of people and failure to attract and retain people in a competitive market for skills and talent, leading to failure to deliver on our business goals, strategic priorities and vision.

Impact on strategy:

Risk outlook:

Outlook is unchanged

Actions taken by management

We are involved in several initiatives to help secure the future engineering talent we require, including:

- Introducing a consistent method of strategic workforce planning, with a dynamic 10-year look ahead, to enable better understanding of future workforce needs and enable graduate training programmes, attraction and retention strategies to be aligned to forecast workforce needs.
- Expanding apprenticeships, graduate development programmes and industrial placements.
- Building our reputation, brand and employee value proposition to enable National Grid to be seen as a place to work for those wanting to be involved in the energy transition.
- Strengthening our recruitment capabilities and embedding key resource where they can understand customer needs.
- Aligning our operating model to improve connectivity across our People function.
- Continued rigorous development of our succession planning and development planning processes, particularly at senior levels.

Our principal risks and uncertainties continued

Operational Principal Risks

5 Catastrophic cyber security incident

Description

There is a risk that we are unable to adequately anticipate and manage disruptive forces on our systems because of a cyber-attack, poor recovery of critical systems or malicious external or internal parties resulting in an inability to operate the network, damage to assets, loss of confidentiality, integrity and/or availability of systems.

Impact on strategy:

Risk outlook:

Outlook is unchanged

Actions taken by management

We employ technical, administrative and physical cyber security controls for both information technology (IT) and operational technology (OT) that align to the National Institute of Standards and Technology Cybersecurity Framework (NIST CSF) v1.1, as well as all applicable laws and regulations. Controls are verified and validated through internal and external audits and risk assessments, penetration tests, adversary simulation, incident response exercises, compromise assessments, continuous control measurements and other assessment methods, including:

- National Institute of Standard Cybersecurity Framework (First-Line Assessment);
- IT Control Set Effectiveness (Second-Line Testing); and
- Corporate Audit and Third-Party Inspections/Assessments.

In addition, this period we note that we have continued to focus on our IT and OT security improvements and human factors. Notably, we have focused on control improvements recommended by government and private intelligence associated with the increasing threat landscape. This has resulted in strengthened controls for ‘perimeter’ (internet facing) infrastructure and fundamental improvements in identity account access (especially around privileged accounts) and credential hygiene. Additional resilience exercises have been conducted with the Group Executive (‘live play’ event), with plans to extend these exercises more widely throughout the business.

Operational principal risks

6 Significant disruption of energy

Description

There is a risk of failure to predict and respond adequately to significant energy disruption events to our assets resulting from asset failure (including third party interactions e.g. control systems protection etc.), climate change, storms, attacks or other emergency events leading to significant customer harm, lasting reputational damage with customers, regulators and politicians, material financial losses, loss of franchise or significant damage to investor confidence.

(See page 25 for information on the outage at North Hyde)

Impact on strategy:

Risk trend:

Outlook is unchanged

Actions taken by management

National Grid continues to prioritise preventative measures and response plans to address the risk of significant disruption of energy. The organisation is actively engaged in climate adaptation work, conducting Group-wide assessments and planning for multi-decade adaptation to bolster resilience. These strategic actions, including various proactive preventative measures, climate adaptation plans and multi-decade adaptation, reflect the commitment to maintain a robust energy supply system and proactively responding to the challenges posed by evolving climate patterns and emergency events. Further actions include:

- Acceleration of proactive maintenance and asset checks ahead of winter to maximise network availability with an emphasis on system reliability assets, sub-sea cable monitoring and ongoing year-round maintenance.
- Collaboration with energy suppliers, regulators and government departments to explore industry mitigations aimed at maximising supply, managing demand and enhancing storage.
- Enhancement of flood contingency plans and robust preparedness for winter and summer, including scenario planning, and testing response plans with proactive communication strategies.
- Implementation of gas mains replacement programmes and a storm-hardening programme, along with outage planning to ensure swift response and recovery.
- Group-wide assessment of climate vulnerabilities and initiation of multi-decade climate adaptation plans for future rate cases, complemented by existing resilience investments to ensure long-term preparedness.
- Development of emergency response plans covering wildfire and cyber scenarios, along with asset risk assessment and integrity management plans.

Operational Principal Risks

7 Upstream supply

Description

There is a risk of failure to prepare and respond adequately to disruptions in energy supply that are outside our control because of third party asset failure, system imbalances, and customer demand outstripping capacity, with potential adverse impacts on our customers, reputational damage, cost increases and regulatory consequences.

Impact on strategy:

Risk outlook:

—

Outlook is unchanged

Actions taken by management

The organisation remains vigilant to potential upstream supply issues, recognising the need for continued monitoring and adaptation should a significant issue arise. The organisation is actively monitoring extreme weather and natural hazards, geopolitical impacts on energy security, regulatory shifts and stability of our key suppliers. These strategic actions, including various proactive preventative measures, reflect our commitment to maintain a robust energy supply system and proactively responding to the challenges posed by evolving climate patterns and emergency events. Current actions include:

- Lessons learned from winter storms.
- Proactive engagement with third-party suppliers and external stakeholders to foster better understanding and preparedness.
- Intervention in rate cases for improved communication and reliability reporting and to gain a more thorough understanding of their modernisation programmes.
- Operationally standing up compressed natural gas (CNG) facilities with onsite trailer storage and portable LNG facilities to mitigate outages at temperatures above 15°F.
- Building the capability to reduce gas demand if needed through testing of emergency preparedness.

Operational Principal Risks

8 Significant safety or environmental event (asset failure)

Description

There is a risk of a catastrophic asset failure because of failure of a critical asset or system, substandard operational performance or inadequate maintenance, third-party damage and undetected system anomalies leading to a significant public or employee safety and/or environmental event.

Impact on strategy:

Risk outlook:

—

Outlook is unchanged

Actions taken by management

National Grid takes a holistic approach to managing this risk and focuses on proactive preventative measures including inspection and maintenance of assets. The focus is on emphasising preventative mitigating actions to maintain operational readiness of our assets and ensuring we have effective response plans should an issue occur. Key mitigations assessed include those in the following categories:

- Ensuring operation of an effective Process Safety Management System.
- Maintaining robust asset management data and records.
- Timely maintenance and condition assessments to ensure asset health.
- Enacting defects management to effectively and timely address defects.
- Ongoing leak-prone pipe replacement.

Our principal risks and uncertainties continued

Operational Principal Risks

9 Major capital programmes

Description

There is a risk that we are unable to deliver on our major capital project programme within the agreed cost and schedule baselines because of misalignment or lack of clarity with regulatory expectations, unclear financial frameworks to incentivise investment, complex planning requirements, external impacts on supply chain or a failure to demonstrate clear, long-term economic benefits to communities leading to increased costs, compromised quality, reputational damage and detrimentally impacting our ability to deliver our clean energy transition strategy.

Impact on strategy:

Risk trend:

Outlook is unchanged

Actions taken by management

The organisation has conducted extensive reviews of the management of major projects and initiated Group-wide development of our common standards enabling a consistent control framework to keep pace with our growing capital portfolio, including:

- Establishment of the company-wide Portfolio Management Office as a core function to manage and oversee all project risks, safety, management of change and project management processes.
- Definition and establishment of minimum core processes and controls expected for each business unit in developing and delivering major projects.
- Conducting a maturity assessment of major projects against standards and identified gaps and priority action lists for targeted improvement.
- Securing the regulatory framework with Ofgem and agreement of funding for the next set of ASTI projects and clarifications on change controls for delay events.
- Engagement of all individual Project Management Offices and key stakeholders together to align best practices and risk management efforts and provide peer-to-peer review opportunities.

Financial Principal Risks

10 Financing our business

Description

There is a risk that we are unable to fund our business efficiently as a result of a lack of access to a wide pool of equity and debt investors, market volatility, unsatisfactory regulatory outcomes or unsatisfactory financial or operational performance of the business, leading to a lack of access to capital, impacting our ability to achieve our strategic objectives, including our proposed capital investment programme.

Impact on strategy:

Risk trend:

Outlook is unchanged

Actions taken by management

We introduced a more focused strategy in 2024/25, a new five-year framework including c.£60 billion of capital expenditure, and a comprehensive financing plan. Key actions include:

- Reviewed the financing outlook, including differing scenarios.
- Launched a successful £7 billion Rights Issue (with high take up from investors), together with an alteration to our dividend.
- Regularly reviewing different pools of debt capital.
- Announced our progressed sale of certain non-core assets.
- Engagement with our credit rating agencies which affirmed a stable outlook, although one agency lowered its threshold, citing long-term exposure to gas.

The financing plan includes continued use of senior debt, an intention to issue hybrid debt later in the five-year plan period, and retention of proceeds from certain asset disposals.

Cyber security risk management and strategy

Cyber security risk is visible to and continuously monitored by our Group Executive and Board of Directors. We employ the NIST cyber security framework as the basis for identifying, assessing, measuring, monitoring, controlling and responding to cyber security risks. Our risk management process, aligned to National Grid's ERM framework, covers all IT and Operational Technology (OT) assets, including systems and data, whether these assets belong to the Company or third parties. Risk is assessed at multiple levels within the Company, including first line business assessment, second line assurance (including controls testing) and third line independent reviews. In addition to comprehensive internal assessment and audit programmes, we engage various external third parties and cyber security firms in support of our cyber security risk management. This combination provides verification and validation of our approach, as well as specialised expertise for specific regulatory requirements and technologies. Further assurance is provided through risk assessments, penetration tests, adversary simulation, incident response exercises, and compromise assessments. We also maintain an independent Supply Chain Risk Management (SCRM) function responsible for identifying and overseeing cyber security risks associated with threats from our use of third-party service providers. Controls implemented by SCRM are designed specifically to help mitigate the risk profile of the supplier and includes consideration of their degree of access to National Grid's systems, and the classification of data they process for National Grid. To date, there have been no cyber security incidents that have materially affected the Company's business strategy, results of operations or financial condition. We acknowledge that the global cyber security risk environment for critical infrastructure providers is extremely challenging and dynamic.

Cyber security governance

The Board prioritises the mitigation of cyber security risk through National Grid's ERM framework. Responsibility for oversight lies with the Board and is delegated to the Audit & Risk Committee. Governance includes regular reviews and approvals of the status of the risk and provides oversight of National Grid's cyber security risk management practices, including disclosure of material cyber security incidents, as well as the general obligation to ensure the proper risk oversight structure of cyber.

National Grid's Chief Information and Digital Officer (CIDO) and Chief Information Security Officer (CISO) regularly provides reports to the Audit & Risk Committee and hold additional briefings to the Board at least once per year. The Audit & Risk Committee and Board work collaboratively to ensure oversight with the proper focus of each respective Board Committee.

Cyber risk reporting includes, among other things, current and emerging cyber security threats to National Grid and relevant sectors, the status of key risk indicators, controls, the results of any relevant internal or external assessments, any key incidents escalated to management during the prior and current reporting period and the status of cyber security improvement programmes. At the executive and management level, the CIDO is the owner of the cyber security Principal Risk, and the CISO has primary responsibility for the development, operation and maintenance of National Grid's cyber security programme. Under the CISO's oversight, National Grid's cyber security team implements and provides governance and functional oversight for cyber security services, controls and processes. Cyber security processes include escalation of certain risks and incidents, including those that originate or occur at third parties, to legal and other executive leaders as appropriate, based on the severity of any such risk or incident.

Emerging risks

We consider emerging risks throughout the year to ensure we understand potential future material impacts on our risk profile and implement appropriate monitoring and responses accordingly. They are assessed in terms of potential impact and timeframe.

Emerging risk reviews are reported at least bi-annually to the Group Executive Ethics, Risk and Compliance Committee, Audit & Risk Committee, and the Board.

Our top three emerging risks at the time of reporting are:

Emerging risk	Impact on strategy	Velocity		
		Immediate < 3 years	Short term 3–5 years*	Medium term 5–10 years
Geopolitical tensions (business or supply chain disruption)				
Artificial intelligence (strategic opportunities or disruption)				
Affordability (customer affordability issues)				

* We continuously monitor our short-term emerging risks to ensure we respond to changes in our risk assessments appropriately.

Responsible Business review

Delivering our Responsible Business Charter

This year, we have made good progress on the emissions reductions where we have full control, ensuring our workforce feels welcome and empowered, and health and safety. We have exceeded our target on developing skills in the communities we serve. There has been limited progress on emissions reductions where we have less control, partly due to our increased investment in energy infrastructure, although this will ultimately reduce future emissions in our jurisdictions. Our support to help vulnerable households manage energy costs continues; however, we recognise we can do more to meet the needs of our customers.

For the first time, we are integrating our annual progress update against our Responsible Business Charter (RBC) commitments into our Annual Report and Accounts.

Our RBC details our approach to being a responsible business and the commitments we have made. It focuses on three core pillars: our environment, our customers and communities, and our people. This is supported by our Responsible Business fundamentals to ensure we're operating responsibly.

This progress update is supported by further content on our website, where there are more details on our Responsible Business activities and stories from across our business.

All 2024/25 Responsible Business metrics can be found in the Responsible Business data tables on our website.

Responsible Business: website

Responsible Business: data tables

Responsible Business: Charter

Our environment p44

Our customers and communities p48

A review of our Responsible Business progress in 2024/25

Responsible Business is important to us and all of our stakeholders, including our shareholders. We have an important role to play so that our networks serving our customers and communities deliver clean, secure and affordable energy. It's the right thing to do for our people and business, our customers and the future of the planet.

Over the past year, we have had to navigate a complex landscape driven by significant geopolitical and macroeconomic challenges. The importance of energy security and affordability have come into sharper focus. We have maintained our attention on being a responsible business while delivering for our customers, communities, colleagues, regulators and investors.

The biggest impact we have on the environment is investing in our networks so they can transport cleaner forms of energy safely and reliably to homes and businesses, reducing emissions across the UK and the US Northeast.

We plan to invest c.£60 billion in our networks in the five-year period from April 2024 to March 2029, of which 85% is expected to be classified as green investment[1]. This will deliver significant increases in network capacity to connect much more low carbon power generation and storage, support load growth and the electrification of heat and transport.

We continue to work on reducing our own direct impact on the environment. This year, we have reduced SF_6 emissions from our assets, increased the number of EVs in our light duty fleet and continued to reduce the operational emissions from our gas distribution networks in the US Northeast.

Despite this activity, our Scope 1 and 2 GHG emissions have increased in the past year by 8%. We signalled in our second Climate Transition Plan (CTP), published in May 2024, that progress would not be linear.

This increase is due to increased generation from our Long Island generation facilities that burn oil and gas. These units are contracted to the Long Island Power Authority (LIPA) and they control when and how much they run to maintain reliable and secure supplies. These assets experienced an increase in generation this year and National Grid fulfilled a temporary surge in demand. This was due to unplanned maintenance outages at other power plants and the reduced availability of third party transmission lines, both of which are out of our control.

Our Scope 3 GHG emissions have also increased by 4% in 2024/25. Emissions from the use of sold gas we deliver to customers has increased. Our increased investment in energy infrastructure requires greater procurement of goods and services and this increases our Scope 3 emissions. We will continue to identify opportunities to reduce supply chain emissions and decouple our growth in spend from this growth in emissions.

As we look ahead, we are seeing increasing energy demand and growing concern about affordability and security of supply. There is also slower progress on the policies and regulatory frameworks needed to meet our emissions reduction targets. It is a growing risk that balancing these challenges will slow down the pace of decarbonisation in places where we operate and reduce the likelihood of meeting our targets on time.

We will continue to build the networks of the future across the UK and in the US Northeast. We will work closely with policymakers and regulators to shape policies that support our targets and with our supply chain to help achieve emissions reduction targets in our construction projects.

To enable the energy transition, we know we need to manage our impact on our customers and communities and support them where we can. This year, we have launched a £13.8 million Grid for Good energy affordability fund. The fund will run for three years to financially support charities and organisations to assist vulnerable households with energy costs.

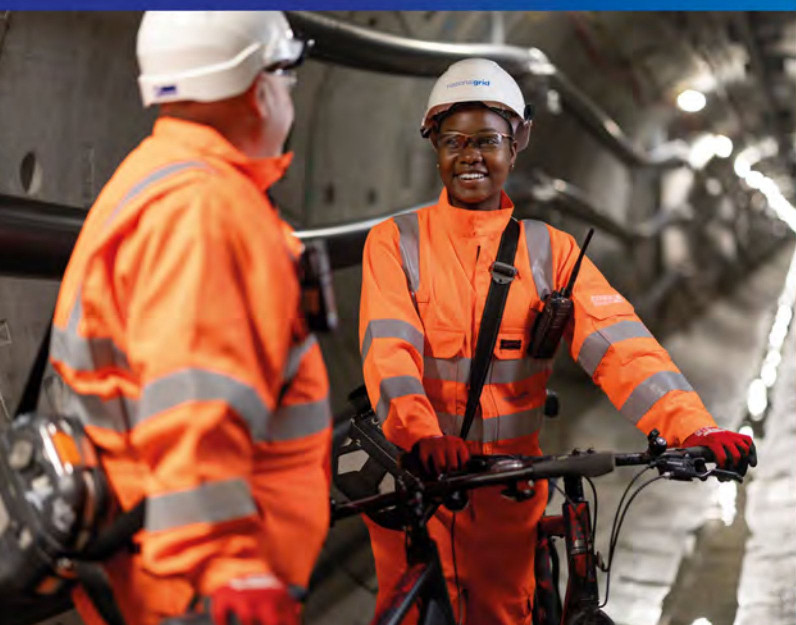
Safety is paramount at National Grid; we continue to make strong progress under our Stand Up For Safety campaign, as project work scales up to deliver against our investments. Our Group safety reporting system is driving continuous improvements and data insights.

To deliver on our commitments we need to build tomorrow's workforce today. We are committed to creating a work environment where people are treated fairly and where everyone feels respected, valued and empowered to reach their full potential. Our Grid:Voice survey shows an 80% employee engagement and 71% of colleagues feel 'Safe to Say'.

The following sections highlight the progress made in the last year against our RBC and where there is more to do. We believe that, by working with our stakeholders, we can continue to make progress towards delivering a secure, affordable and clean energy future.

1. Aligned to EU Taxonomy, directly invested into the decarbonisation of energy networks.

Our people p51



Our Responsible Business fundamentals p55

Responsible Business review continued

Our environment

UN Sustainable Development Goals

Taking action on our environmental impact

We are delivering new network infrastructure and upgrading our existing networks to help deliver a secure, affordable and clean energy future for our customers and communities while working hard to reduce our impact on the environment.

We have set Group science-based targets (SBTs), validated by the Science-Based Targets initiative (SBTi), to hold ourselves to account for reducing our emissions. Our second CTP, published in May 2024, outlines our roadmap to achieve net zero by 2050.

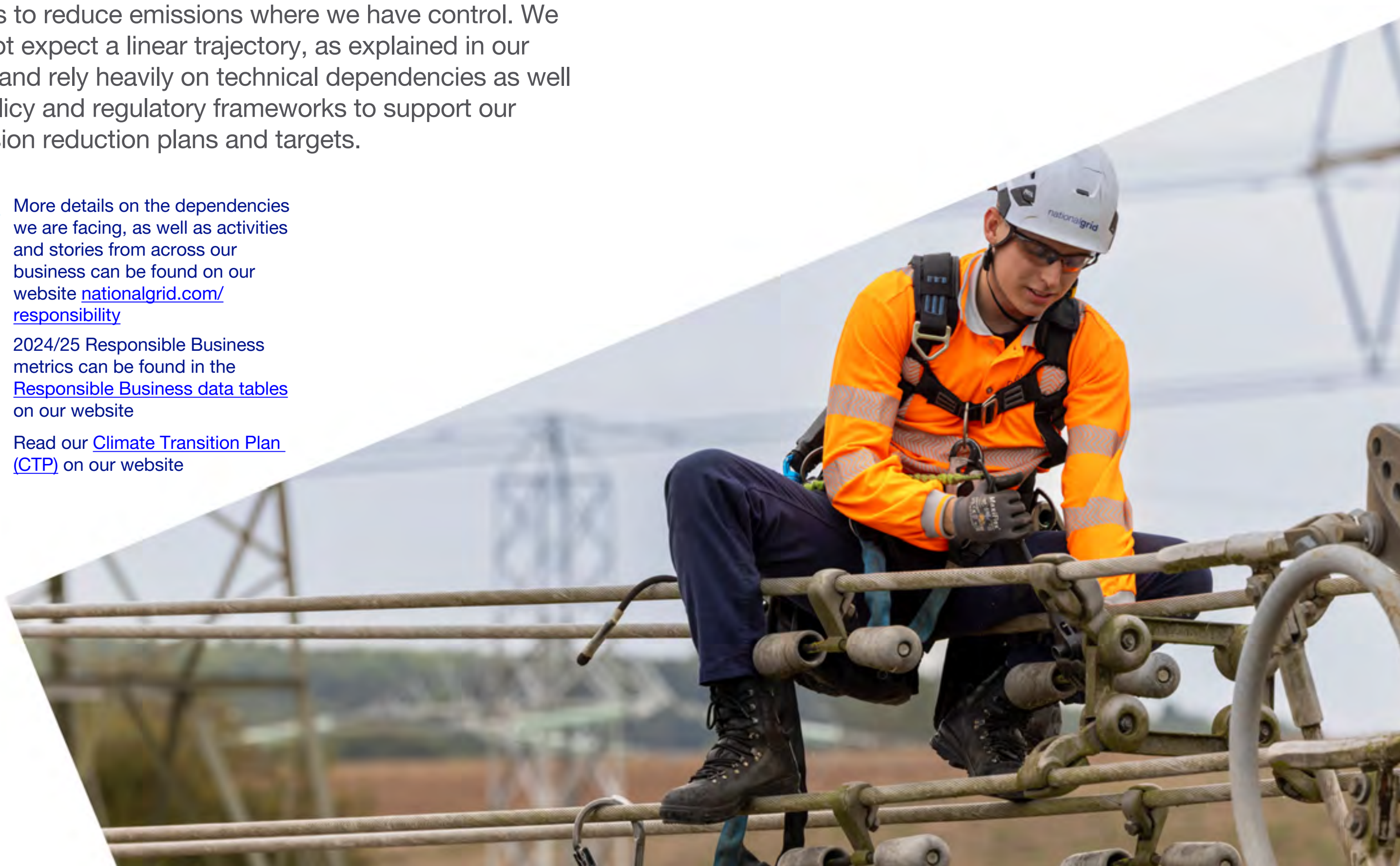
In the last year, our emissions have risen, often due to factors outside of our direct control and despite our efforts to reduce emissions where we have control. We did not expect a linear trajectory, as explained in our CTP, and rely heavily on technical dependencies as well as policy and regulatory frameworks to support our emission reduction plans and targets.

More details on the dependencies we are facing, as well as activities and stories from across our business can be found on our website nationalgrid.com/responsibility

2024/25 Responsible Business metrics can be found in the Responsible Business data tables on our website

Read our Climate Transition Plan (CTP) on our website

On nature, in the UK we have restored 10% of the natural environment on our managed land and will continue to make improvements, in the US we have made progress protecting the natural environment. We remain committed to using resources responsibly, with asset refurbishment centres in the UK and our investment recovery centre in the US minimising waste.



We committed to

Achieve net zero by 2050 for Scope 1, 2 and 3 GHG emissions

We have continued to play our part reducing emissions, as outlined in our CTP, but have seen a rise in GHG emissions over the past year.

Scope 1 and 2 GHG emissions for 2024/25 were 7,422 ktCO_2e, outside of our range set out in the CTP, a decrease of 4.4% against our 2018/19 baseline.

Progress to target[1,2] % | Target: 2030/31
4.4 | 60

This year has been an exceptional year for emissions from our fossil fuel generation plants. These assets have operated more than expected to meet increased demand requirements on Long Island. This is due to unplanned outages at third-party generators and transmission lines, outside of National Grid's control. This contractual obligation with LIPA has led to the increase in our Scope 1 emissions, outside of the upper range set out in our CTP, demonstrating the non-linear trajectory of meeting our emissions targets.

Scope 1 emissions where we have greater direct control (i.e. excluding emissions from generation) have fallen from the baseline year. This is supported by our leak-prone pipe replacements, interventions to reduce SF_6 leakage and replacing our vehicles with EVs.

Our Scope 2 emissions have increased this year. These emissions are primarily made up of electricity line losses which are calculated using the average carbon intensity of electricity in the regions where we operate, as published by the UK Government and the US Environmental Protection Agency (EPA). We know that electricity carbon intensity in the UK is reducing and 72% of our overall Scope 2 emissions are in the UK. In the US, we have deployed dynamic line rating technology to improve the efficiency of our power lines in New York.

However, looking ahead, emissions from line losses are impacted by external factors such as demand growth and the amount of renewables connected to the network. If the economies where we operate see a slowdown in the pace of decarbonisation this will in turn slow the pace of emissions reductions from line losses. More detail can be found in our CTP.

Below is an update on our near-term GHG emissions reduction sub-targets for Scope 1 and 2[1,2], from a 2018/19 baseline, as required by SBTi.

- Reduce the carbon intensity of our power generation (Scope 1 GHG emissions) per MWh by 90% by 2030/31, and by 92% by 2033/34 : (37)%
- Reduce absolute Scope 1 and 2 GHG emissions (excluding generation) by 50% by 2030/31 : (15)%

22% of our light-duty vehicles are EVs.

Progress to target % | Target: 2030/31
22 | 100

We are making progress against our EV target to move to a 100% electric fleet for our light-duty vehicles. This year, we have added 476 EVs to our commercial fleets, bringing our total to 1016 EVs, 22% of our total number of light-duty vehicles.

We continue to ramp up our efforts to electrify our light-duty vehicles; however, this is vulnerable to supply chain disruptions and delays regarding the availability of EVs, as well as the implementation of charging infrastructure.

We have reduced SF_6 emissions from our operations by 36%.

Progress to target % | Target: 2030/31
36 | 50

Work continues on reducing SF_6 emissions caused by emerging leaks, resulting in the significant progress of 15% emission reductions, 36% against our 2018/19 baseline. The majority (~80%) of the SF_6 we use on our networks is in UK ET.

We are also continuing our work with partners on innovation projects to develop alternative gases to SF_6. UK ET were recently awarded £8.5 million by Ofgem's Strategic Innovation Fund to develop a long-term strategy to reduce SF_6 dependency, in consultation with industry partners.

We have reduced absolute energy consumption in our flagship offices by 38%.

Progress to target %
Target: 2030/31
20 | 38

We have reduced energy consumption in our flagship offices by 38% against our 2019/20 baseline, exceeding our 20% target.

We adapt to the changing uses of our workspaces, while optimising heating, ventilation, air conditioning and lighting systems to continue to meet the needs of our colleagues.

Our Scope 3 emissions (excluding sold electricity) for 2024/25 were 25,566 ktCO_2e, representing a 5.8% increase against our 2018/19 baseline.

Progress to target[3] % | Target: 2033/34
(5.8) | 37.5

The majority, 72%, of our Scope 3 emissions (excluding sold electricity) are from the use of sold gas we deliver to our customers. We have seen an increase in these emissions due to colder temperatures when compared to last year. As we look ahead, New York and Massachusetts remain focused on their ambitious climate targets but are having to balance these with increasing public concern about affordability and reliability. There is a growing risk that finding the correct balance slows down the pace of policy and regulatory changes we need to enable us to make the necessary investments to reduce emissions from the gas we sell.

Emissions within our supply chain represent 18% of our Scope 3 emissions (excluding sold electricity) and this is principally where we have seen a rise. This is driven by increased spend on goods and services (including capital expenditure) associated with the construction of new energy infrastructure as a result of our increased capital investment.

The scale and scope of our construction activities pose challenges for reducing our Scope 3 emissions from purchased goods and services. This is because substantial quantities of construction materials we use have significant carbon footprints, such as steel and concrete. Due to limited availability, higher costs and potential regulatory barriers, it is difficult to source more sustainable alternatives or implement low-carbon construction methods. We'll continue to identify opportunities to reduce supply chain emissions and decouple spend growth from emissions growth.

Below is an update on our near-term GHG emissions reduction sub-targets for Scope 3, from a 2018/19 baseline, as required by SBTi.

- Reduce the carbon intensity of power generation and sold electricity (Scope 1 and Scope 3 GHG emissions) by 86% by 2033/34[2] : (18)%
- Reduce absolute GHG emissions from gas sold by third parties by 37.5% by 2033/34[3,4] : (11)%

1. Includes Scope 2 location-based emissions only.
2. Near-term targets approved by Science Based Targets initiative (SBTi) and aligned to the Paris Agreement and a 1.5°C pathway.
3. Near-term targets approved by SBTi and aligned to a well below 2°C pathway.
4. 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.

Responsible Business review continued
Our environment

We continue to engage with our suppliers. 56% of our UK suppliers[1] have committed to set SBTs. 43% of our US suppliers[1] have established a plan for setting SBTs.

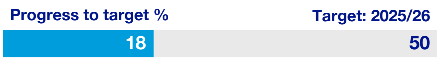
We continue to collaborate with key suppliers who contribute significantly to the emissions associated with the goods and services we procure. We are pleased with our progress against these ambitious targets, despite not meeting our target to date. This target is currently under review.

We are reporting progress against an updated list of carbon strategic suppliers as a result of a change in our methodology for calculating emissions of our purchased goods and services.

Our SBT engagement strategy focuses on communication channels, monitoring and reporting, governance, assurance, and building skills and capabilities. We are using the accredited resources and training materials available through our partnership with the Supply Chain Sustainability School to enhance our global suppliers' sustainability skills.

We recognise that, similar to ourselves, our suppliers have many dependencies that are outside of their control, such as a lack of SBT pathways for certain sectors. We will continue to work closely with these suppliers and report transparently on any challenges impacting our RBC targets.

We have reduced air travel emissions by 18% from our 2019/20 baseline.



This year, absolute emissions from business air travel are consistent with the previous year at 9 ktCO_2e, a 18% reduction from our baseline. As a transatlantic business it will be challenging to meet our ambitious target. We try to balance the need for our teams to meet and collaborate with the use of technology to enable virtual meetings where possible.

In this specific area, through our travel partner, Agiito, we participate in the Trees4Travel programme investing in tree planting initiatives to responsibly offset our air travel emissions. Further details on offsetting can be found on page 75.

We are committed to

Protecting our natural environment

In the UK we are committed to restoring the land we manage. We use a natural capital approach to measure the impact of improvements we make on the non-operational land at our own sites based on financial value estimations. Due to significant differences in the conditions of habitats and levels of biodiversity present in the landscape, in the US, our efforts focus more on the preservation of the natural lands that we own.

In the UK we have restored the natural environment by 10% on the land we manage.

A natural capital approach allows us to demonstrate gains for the environment through ecosystem service benefits, to help measure changes to land management or biodiversity. This is only driven by activities in our UK ET business.

Our partnership agreements deliver enhancements to the land we manage such as restoring ancient woodlands and wetlands, planting trees and hedgerows, and creating wildflower meadows, as well as enabling local communities to access nature.

We have continued our ongoing support to our UK environmental education centres at Bishops Wood, Skelton Grange, West Boldon, Amersham and Iver. Environmental charity organisations at these centres provide educational activities to visitors, showing how nature can thrive alongside critical national infrastructure.

In UK ED, our nature focus is primarily on improving our operational sites to provide biodiversity uplift. We have supported 700 acres of woodland management in our West Midlands license area through the Heart of England Forest Partnership.

In the US we have preserved 20,358 hectares on the land we manage.

Our preservation efforts focus on our integrated vegetation management (IVM) programmes, which promotes desirable, stable, low-growing plant communities that will resist invasion by tall-growing tree species along our transmission lines. Our IVM programmes improve the environment by reducing the need for excessive tree cutting, reducing the risk of forest fires, decreasing populations of invasive species and increasing diversity of natural species.

As a part of our nature strategy, we aim to ensure that our infrastructure projects protect critical habitats. We have undertaken several initiatives in the US to preserve habitats and landscapes, including rare, threatened and endangered species protection.

1. Weighted by GHG emissions.

We are

Investing in the decarbonisation of the future of energy

We invested £7.7 billion in green infrastructure and projects.

Progress to target %	Target: 2028/29
£7.7bn	£51bn

We understand the role we need to play in enabling and accelerating the move to a cleaner energy future. Network investment is vital for connecting the new low carbon power generation and storage needed in the coming decade to accommodate the expected rises in electricity demand by 2035, almost 50% across the UK and 25% in our US jurisdictions. We expect to invest approximately £51 billion in green infrastructure and projects in the five-year period from April 2024 to March 2029.

As we delivered another record year of capital investment, we also reached a higher proportion of green capital expenditure, aligning with EU Taxonomy principles for sustainable investment. In 2024/25 around 81% (£7.7 billion) of our Group's capex aligned to the principles, compared with 78% (£6.0 billion) in the previous year. Where investment is not classed as green we are maintaining our network assets to deliver for our customers.

Under our new 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. See our latest Green Financing Report on our website, which details the issuance of green bonds totalling €1.5 billion in 2024/25, along with the allocation of proceeds and their environmental impact.

We continue to make good progress on our early ASTI investments in the UK. Construction has commenced on six projects, as well as procurement and mobilisation of supply chain partnerships and public engagement and consultations. In the US, progress on the 'Upstate Upgrade' in New York has continued, delivering a modernised, stronger and cleaner energy network and generating new jobs.

These infrastructure investments support our network jurisdictions in achieving net zero goals. In 2024/25, we connected 3,016 MW of renewable capacity to our networks across the UK and US.

We are committed to

Using resources responsibly

We manage our environmental impact with a focus on pollution, waste and water use.

We have various projects that create waste, such as cleaning up former gas plant sites, retiring old fossil assets and leak-prone equipment, building grid infrastructure and supporting various renewable energy projects. We endeavour to ensure that our waste is correctly disposed of with appropriate environmental permits and compliant with regulatory standards in the applicable regions.

The different categories of waste are summarised in our data tables, linked on page 42. Some waste produced is classed as 'hazardous waste'. This arises from the removal of contaminated land during commercial property activity and the disposal of oil and polychlorinated biphenyl (PCB) or lead-contaminated materials.

Alongside managing our waste responsibly, we also recycle, refurbish and reuse materials at asset refurbishment and investment recovery facilities in the UK and US.

Our water use relates almost entirely to water used for generation cooling purposes. Abstracted water is not altered other than being slightly warmed by the process. Water discharge temperatures are closely monitored and follow applicable regulations. This year, 1,134 million cubic metres were withdrawn. Of this total, over 99% relates to the use of seawater for cooling generation assets in the US. All this abstracted water is returned to the sea at the permitted temperature limit.

We are

Adapting to a changing climate

We take action on our climate change risks and opportunities and our investment in climate change adaptation activities.

Most climate hazards are projected to increase in frequency in the future, with high temperatures and coastal and river flooding of particular concern to the areas in which we operate. Our approach to climate resilience, and addressing risks arising from global warming impacts, is outlined in our Task Force on Climate-related Financial Disclosures (TCFD) report on pages 59 – 77. In addition, our EU Taxonomy report details our climate change adaptation expenditure.

81%

2024/25 green capital expenditure

Aligned to EU Taxonomy, directly invested into the decarbonisation of energy networks.

3,016 MW

renewable capacity connected in 2024/25

Our customer and communities

UN Sustainable Development Goals

Meeting the needs of our customers and communities

We are focused on building the necessary infrastructure across the UK and US Northeast while assisting our customers on affordability and building skills in our communities.

We continue to provide assistance to our customers and communities to help manage the costs of the energy transition.

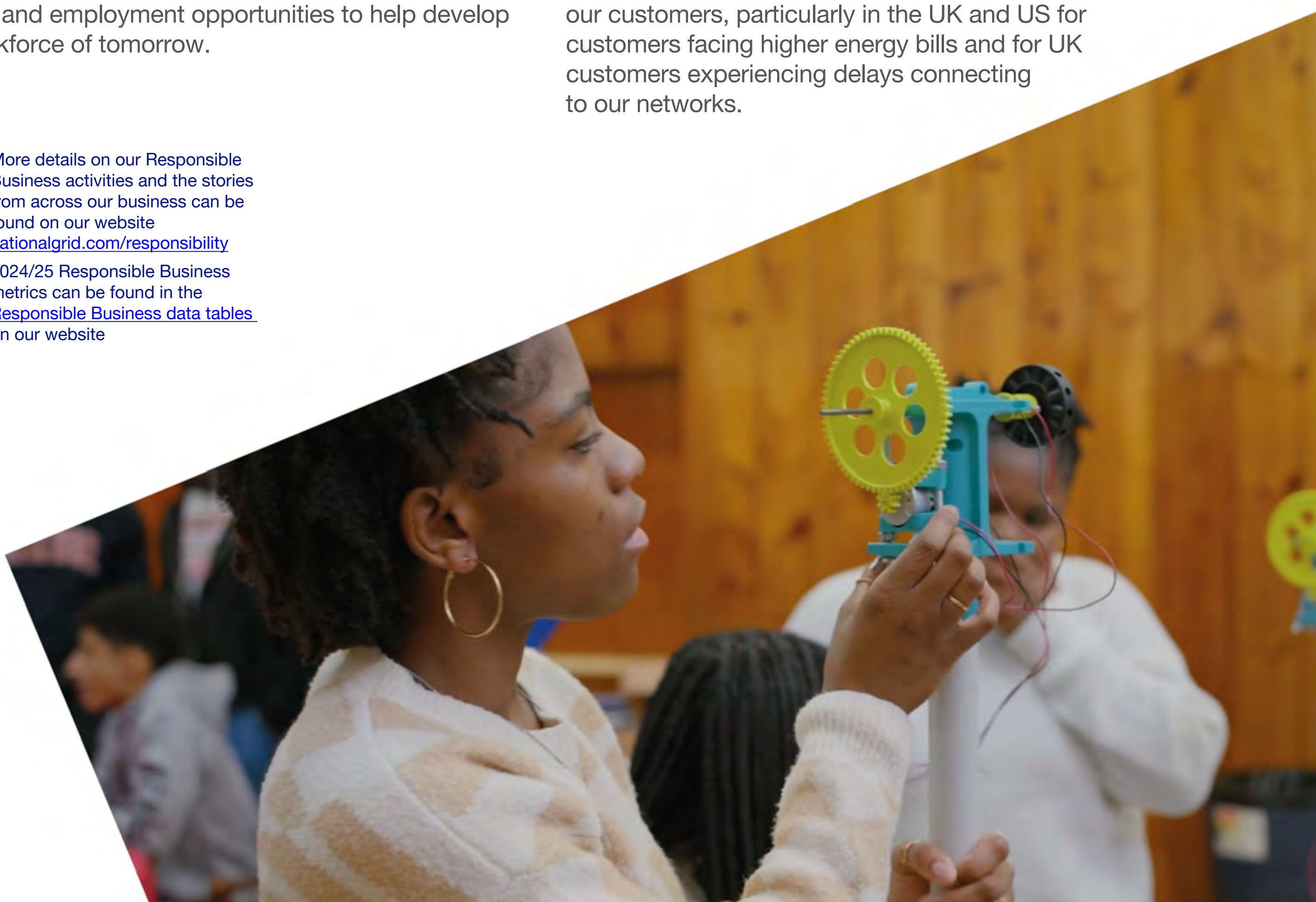
Our skills development programmes are providing people from disadvantaged communities access to training and employment opportunities to help develop the workforce of tomorrow.

Our colleagues are directly helping the communities we serve through volunteering events and projects to inspire positive change, create positive local impact, strengthen communities, and make a difference.

We acknowledge the need for further support to our customers, particularly in the UK and US for customers facing higher energy bills and for UK customers experiencing delays connecting to our networks.

More details on our Responsible Business activities and the stories from across our business can be found on our website nationalgrid.com/responsibility

2024/25 Responsible Business metrics can be found in the Responsible Business data tables on our website



We are committed to

Supporting an affordable energy transition

We have established the Grid for Good Energy Affordability Fund for future assistance.

Our communities still need our help. National Grid remains committed to ongoing support for those that cannot meet energy costs and has established the new £13.8 million Grid for Good Energy Affordability Fund for future assistance.

This continues our community support in the way that our previous three-year energy support fund had, in assisting some of the most vulnerable households and businesses struggling with energy costs. We worked with key charity partners in the UK and US to help provide emergency financial relief, fund energy efficiency measures, provide advisory services for households, support energy bill assistance, and emergency food support programmes for low-to-moderate-income customers. This support fund benefited 259,884 households across our UK footprint alone.

The Grid for Good Energy Affordability Fund will run for three years in the UK and US in order to continue financial support to charities and organisations who assist vulnerable households with energy advice, emergency funding and energy efficiency measures.

More details on how our funding is supporting charities and organisations to provide relief to vulnerable households can be found on our website.

In the last year, the increased cost of gas as part of overall global increases has driven up customer bills, particularly in our US jurisdictions. Looking forward, we remain focused on the ambitious climate targets in New York and Massachusetts, but we acknowledge that there is more we can do to support our customers in relation to bills, in addition to our financial community support.

£13.8m

2025 Grid for Good Energy Affordability Fund

29,654

people positively impacted with meaningful skills development in 2024/25

We committed to

Accelerate social mobility in the communities we serve

We have provided 29,654 people with meaningful skills development.

Progress to target (people)

Target: 2030/31

45,000 | 60,384

We continue to contribute to the acceleration of social mobility in the communities we serve by developing new and long-standing partnerships with registered charities, not-for-profit organisations, social enterprises, educators and our supply chain.

With these organisations, we have created skills and employability pathways. Our work is focused on two primary objectives: to provide upskilling and to create employment opportunities across our sector.

This year, 29,654 people have been positively impacted, made up of 5,132 in the UK and 24,522 in the US. Since 2021, we have positively impacted the lives of 60,384 people, exceeding our commitment of 45,000 people. 94 people have secured employment in National Grid alone this year.

We ranked 42nd out of the top 75 employers in the 2024 UK Social Mobility Index (SMI), demonstrating our commitment in employer-led social mobility. We continue to focus on progression culture and data collection as a result of feedback from this index.

We are

Engaging directly in our communities through volunteering

Across the UK and US we have delivered 60,511 volunteering hours to support our communities.

Progress to target (hours) Target: 2030/31

239,991 | 500,000

We have helped more colleagues across the UK and US to feel directly connected to our communities, giving them an opportunity to make a difference. We work with many partner organisations to identify and manage opportunities for colleagues to volunteer their time in local communities.

Across the US, we recorded 35,274 volunteering hours. In the UK, we recorded 25,237 volunteering hours.

Colleagues this year have volunteered their time, helping to deliver community events and logged 60,511 volunteering hours, bringing our total to 239,991 volunteering hours since 2021.

Case studies on our volunteering engagement can be found on our website.

Responsible Business review continued
Our customers and communities

We act

On the feedback we receive from our customers on the service we provide

Across the UK and US we serve millions of households and partner with thousands of businesses. We are committed to delivering secure and clean energy as affordably as possible, maximising the capacity of our assets and ensuring our customers benefit from an efficient and reliable network.

We recognise the limited progress across the business, especially in the US, on customer satisfaction due to bill increases as well as delays in connecting to our network. We are listening to feedback and taking steps to address these issues where possible.

US customer satisfaction

In 2024/25, 58.4% of our residential and commercial customers trust us to provide the advice needed to make good energy decisions. Perceptions are higher in New York, 61.1%, than New England, 53.9%, but customers in both regions faced high inflation and a long, unseasonably cold winter, causing impacts on affordability and negatively affecting our customers' sense of value.

We recognise that we need to do more and we are committed to raising awareness of financial assistance and other services that help manage and save on energy bills. We are expanding our energy efficiency and outreach programmes with an increased focus on mitigating peak period bills, and addressing the energy burden facing our most vulnerable customers. We are doing this with expanded language translation.

This year, following customer feedback, we have updated our customer-facing mobile app to improve the way customers can self-serve and manage their account. Our teams are dedicated to enhancing business processes, adopting the latest technology and undergoing training to drive improvements. We hope this will make it easier for our customers to interact with us, and in turn will help to improve satisfaction and trust.

We have also started to deploy Advanced Metering Infrastructure (AMI) technology across New York and Massachusetts, giving customers greater visibility of their energy use.

Specifically in Massachusetts, 40% of funding from the new statewide 2025 three-year energy efficiency plan will focus on programming, the opt-in implementation of a residential heat pump rate with lower charges, deferring recovery of some gas delivery charges. Further, in September 2025 implementing larger rate discounts for low-income electric customers.

In New York, we are providing energy bill credits and funding an initiative to help overcome barriers that prevent the installation of energy efficiency improvements. Our latest multi-year rate plans will be implemented on a levelised basis to reduce rate volatility to customers over the duration of the plan.

UK ED customer satisfaction

In UK ED, we have delivered a high level of customer satisfaction for 2024/25 with a score of 8.98 out of 10.

We investigate areas of good practice across our licence areas with the aim of providing solutions that can be applied across the business. We continue to undertake customer service training. We have customer engagement group forums and have established mechanisms to learn from the activities of other distribution network operators, to help ensure we are making the right decisions for our customers. We are confident that these actions will result in year-on-year improvements and achievement of our target.

UK ET customer satisfaction

In UK ET, our customer satisfaction score in 2024/25 is 6.5 out of 10. We follow the Quality of Connections Incentive, which we anticipated to be challenging this year due to the rapidly growing connections pipeline and its impact on connection dates. Despite this being largely outside of UK ET's direct control, we have seen an impact in our overall score as expected. We are working closely with others across the industry to address the challenges caused by the current connections pipeline.

As this measure of customer satisfaction consists of elements, including regulatory rules, which are outside of our control, we are also focusing our efforts on where we can drive value for our customers. For example, we have looked at how we are servicing the needs of customers who have established projects that are delivering against agreed milestones and are in the development or delivery stages of work.

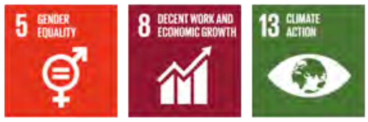
As well as focusing on driving value for our customers, we are enabling broader societal economic benefits. For example, we are in the process of delivering a project to connect the largest EV battery manufacturing facility in the UK, contributing to almost half of the projected battery manufacturing capacity required for the UK automotive sector by the early 2030s and creating thousands of jobs.

NGV customer satisfaction

NGV has conducted customer satisfaction surveys (CSAT) across its business units for the second year, 2024/25, achieving good scores overall.

Our UK subsea electricity interconnectors have scored the following: IFA, IFA2 and Viking, 86%, BritNed, 87% and Nemo, 92%, while Grain LNG has scored 86%. The US Northeast scored 8 out of 10, with feedback of solid communication and cooperative, competent teams and points of contact.

Our people



UN Sustainable Development Goals

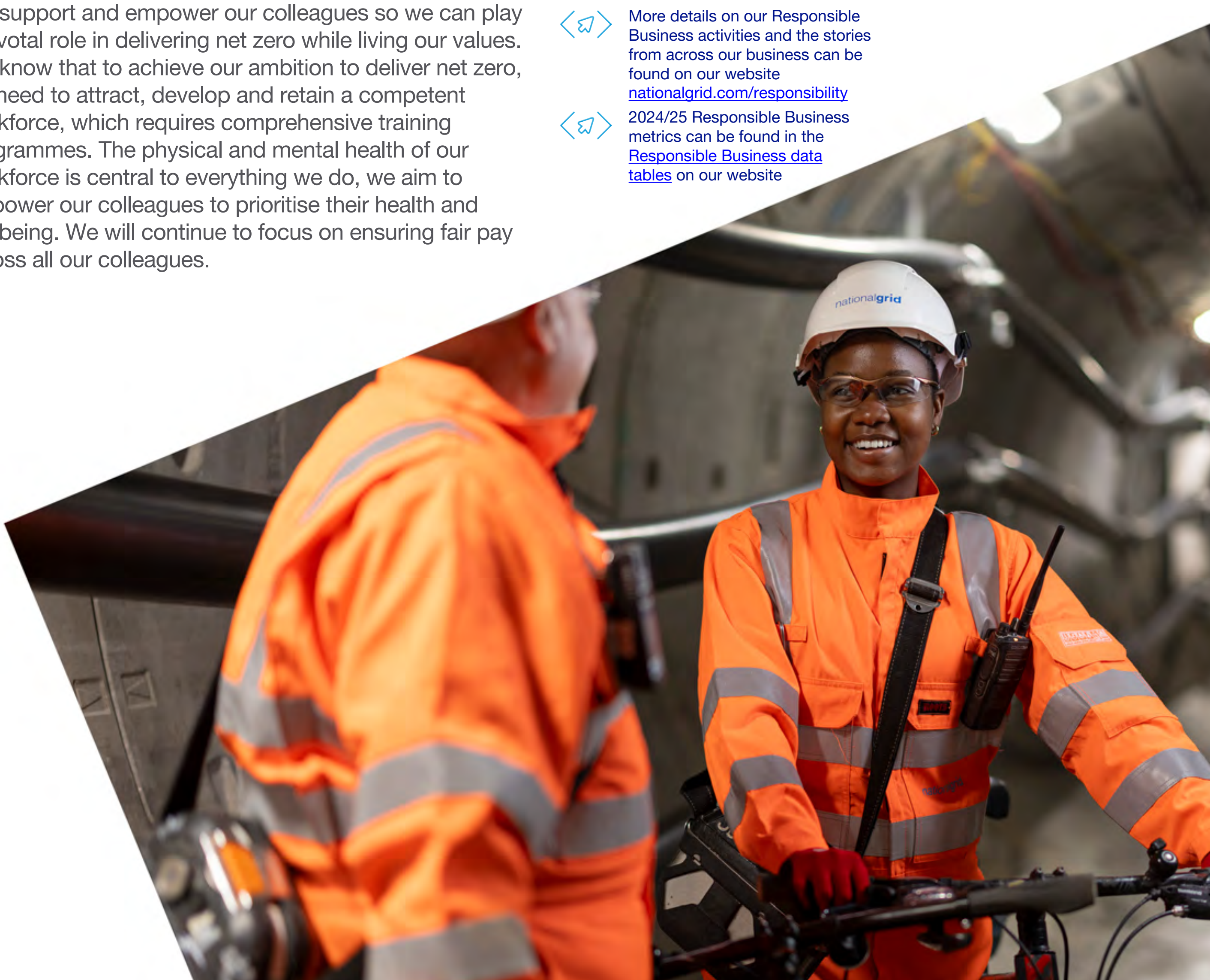
Investing in a workforce where all can thrive

Our 31,645 colleagues across the UK and US are the driving force behind our business. We invest in attracting and retaining a workforce where all feel welcome and able to do their best work.

We support and empower our colleagues so we can play a pivotal role in delivering net zero while living our values. We know that to achieve our ambition to deliver net zero, we need to attract, develop and retain a competent workforce, which requires comprehensive training programmes. The physical and mental health of our workforce is central to everything we do, we aim to empower our colleagues to prioritise their health and wellbeing. We will continue to focus on ensuring fair pay across all our colleagues.

More details on our Responsible Business activities and the stories from across our business can be found on our website nationalgrid.com/responsibility

2024/25 Responsible Business metrics can be found in the Responsible Business data tables on our website



Responsible Business review continued
Our people

We are

Investing in our people and building the skills needed to deliver the clean energy future

Our new talent programmes continue to grow.

As our workforce increases, we need to consider the skills needed to deliver on our clean energy future and help our colleagues learn and grow with us to tackle the challenges ahead. Attracting, developing and retaining a qualified and competent workforce requires training programmes that are robust, comprehensive, in line with local regulations and that create a career path built on safety and competence.

Our UK graduate scheme follows three distinct pathways aimed at enhancing graduates' capabilities while emphasising leadership development for our graduate population. This year we welcomed 161 UK graduates.

In the US, 75 graduates joined our comprehensive 12-month development programme which includes a four-week orientation travelling around our principal operating locations learning about our business. The new coaching mechanism we use called EZRA Focus supports graduates as they complete their development programmes and make the key career transition into their first role.

This is part of our commitment to progress and retain our early careers talent pipeline. In the US, we continue to have a strong Gridtern Programme, welcoming 172 Gridterns on summer internships in 2024.

Across ET and ED in the UK, our apprenticeship programme is crucial in building the country's workforce of the future, with young people driving innovation and progress. This year we have had 276 apprentices start programmes to develop their skills through practical work and academic study.

Further details on our development programmes can be found on our careers website.

In addition to developing new talent, we offer development solutions to our colleagues via external providers such as:
- LinkedIn Learning, with over 9,300 on-demand development courses available;
- MindGym, an external learning provider specialising in psychology and behavioural science;
- Team Effectiveness sessions designed to foster cohesion and positive collaboration among teams;
- We have partnered with EZRA which has built executive coaching for the digital age – with EZRAx. This virtual coaching programme empowers our senior leaders to learn, develop and grow; and
- Digital coaching through BetterUp to empower growth.

We have also expanded our coaching offer to include specialist coaching. All leaders and colleagues have the opportunity to access a select pool of coaches skilled in supporting individuals to recognise their unique contributions and navigate their development, while at the same time having access to the wealth of additional resources and support that BetterUp offers.

We aim to actively identify and develop our future senior leaders through a variety of programmes designed specifically for this purpose:
- Future Leaders Programme
- Managerial Supervisory Training
- Enterprise Leadership Advantage Programme
- Next Generation.

We know that if we are to achieve our ambition to deliver net zero, we need to attract, hire and retain people from a wide array of backgrounds, who have different experiences and perspectives. We owe it to our colleagues, customers and stakeholders to be clear on our stance against discrimination. Our policy ensures that individuals identifying as having a disability receive fair consideration for all vacancies, with reasonable accommodations and additional resources provided whenever feasible. We are dedicated to equal opportunities in recruitment, training, promotion and career development for all our colleagues, including those with disabilities.

We have streamlined our recruitment processes, investing in HR technology and implementing a strategic sourcing structure to drive proactive sourcing, creating a best-in-industry candidate experience and creating recruitment practices aimed at helping us build a strong future workforce.

Currently, 39% of our jobs are filled by internal promotions and moves, demonstrating our commitment to growing our colleagues internally. To deliver the energy transition, we also need new skills and capabilities, which means increasing external hiring. We aim to understand the skills, experience and roles we will need in the future by using workforce planning data to map our requirements. We are working to design strategies that focus on sourcing and engaging with relevant talent to search for the right colleagues before we need them.

We are committed to

A workplace where all colleagues can thrive

We are continuing to make progress in providing an inclusive culture for our colleagues.

We believe strong business results are enabled by having a workforce with multiple perspectives and skills, and a culture where everyone can do their best work. We aspire to do our part in ensuring that, one day, everyone sees their place in shaping the energy future in equal measure.

This year, 16.8% of our management population are ethnically diverse, a decrease of 0.8% from 2023/24. Women now comprise 35.5% of our management population.

We have seen year-on-year growth in female and ethnically diverse new talent. The number of female hires in new talent programmes has increased to 32.2%% in 2024/25, from 31.6% in 2023/24. In addition, ethnically diverse new talent has risen to 41.2% in 2024/25, from 32.3% in 2023/24.

Gender demographic as at 31 March 2025[1]

Our Board[2]

11

Male **7** Female **4**

Male 63.6%
Female 36.4%

Senior management[3]

158

Male **95** Female **63**

Male 60.1%
Female 39.9%

Whole company[3]

31,645

Male **23,932** Female **7,713**

Male 75.6%
Female 24.4%

1. Companies Act 2006 disclosure. We have included information relating to subsidiary directors, in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. 'Senior management' is defined as those managers who are at the same level as, or one level below, the Group Executive Committee. It also includes those who are Directors of subsidiaries where we have a majority interest, or who have responsibility for planning, directing or controlling the activities of the Group, or a strategically significant part of the Group, and are employees of the Group.
2. 'Board' refers to members as defined on the Company website.
3. In scope are active, permanent employees. Out of scope are non-employees, temporary staff and interns.

We are committed to

Creating an inclusive culture, where it is safe to speak up and where our colleagues' voices are heard and understood by our Group Executive and Board

Creating an inclusive culture through awareness and education remains a priority, particularly through partnering with our leadership who are fundamental in driving our culture.

Our global learning curriculum proactively invites all people managers to participate in inclusive educational opportunities.

Our Employee Resource Groups (ERGs) play a vital role at National Grid. They are open to all employees, not just those with a particular characteristic. We are proud that 31% of our workforce, around 9,725 colleagues, are members of at least one ERG. ERGs create a sense of community and promote a culture of belonging by offering support and development opportunities to colleagues. We believe this in turn promotes employee engagement and performance.

We carry out two annual engagement surveys to provide the Group Executive and Board with further insight and understanding of our culture and engagement.

Throughout the year we were recognised for numerous industry best practices, including being named in Times Top 50 Employers for Gender Equality, Top 25 Organisations driving Ethnicity Inclusion, 42nd out of the top 75 employers in the 2024 UK Social Mobility Index (SMI), The Equality 100 Award: Leader in LGBTQ+ Workplace Equality Distinction by the Human Rights Campaign Foundation. In 2024 National Grid took part in the Workforce Disclosure Initiative for the seventh consecutive year.

We were awarded a disclosure score of 85% compared to the sector average of 62% with a special mention for workforce action and value chain data.

Further details on our culture can be found on our website.

80%

Employee engagement index in 2024/25

71%

'Safe to say' in Grid:Voice in 2024/25

Responsible Business review continued
Our people

We are committed to

Leading the industry on colleague health and wellbeing

Our employee wellbeing index is 77%.

Progress to target %	Target: 2030/31
77	81

The physical and mental health of our workforce is central to everything we do, from our wellbeing champions to mental health support. We aim to empower our colleagues to prioritise their health and wellbeing through healthy habits and by accessing available resources when needed through our intranet site, print communications and presentations. By doing so, we aim to foster an environment where everyone can thrive together.

In 2024, we continued to carry out our Thriving Together health and wellness ambition. We introduced 'behavioural aspirations' to empower colleagues and leaders to build a thriving workplace culture. These aspirations include awareness and utilisation of supportive resources, role modelling healthy behaviours, and proactive management of team health and wellbeing. The Health & Wellbeing Business Management System standard has been updated to enhance our wellness culture. To support our business units, a standard for musculoskeletal injury risk management was developed.

In the US, we experienced increases in Virgin Pulse wellbeing platform enrolment by management and union colleagues, by 2% and 1%, respectively. Enrolment and engagement foster healthy habits and improve health. Also in the US, Employee Assistance Program (EAP) utilisation increased by 16% since 2023. In the UK, we see a 35% increase in our Thrive platform engagement, and a 5% increase in EAP.

We are committed to

Ensuring all colleagues receive fair and equitable pay

We are continuing to make progress on our gender and ethnicity pay gap.

In the UK, we remain an accredited Living Wage Foundation employer, which demonstrates that we go beyond the Living Wage requirements, voluntarily paying our trainees the Living Wage. We undertake a Living Wage review each year to ensure continued alignment. Our commitment to our direct colleagues extends to our contractors, whom we commit to also pay at least these rates.

In addition to fair pay, we provide a range of competitive benefits to our colleagues that go beyond statutory minimums.

In the US, colleagues are paid above the statutory minimum.

When making remuneration decisions for our Executive Directors and other senior leaders, our Remuneration Committee takes account of the remuneration arrangements and outcomes for the wider workforce.

We review gender and ethnicity pay gaps annually and these are reported one year in arrears in accordance with UK legal requirements on gender pay gap reporting. With sustained focus over many years, our UK base gender pay gap continues to be minimal and we have also shown progress with pay and incentive gaps for ethnically diverse colleagues.

We will continue to focus on ensuring fair pay across all our colleagues.

Our gender pay gap disclosure can be found on our website.

+35%
Thrive Mental Health website engagement in the UK

+16%
EAP utilisation in the US

Mean gender pay gap 2023/24

UK **1.3%**
2022/23 1.8%

US **4.8%**
2022/23 3.6%

Mean ethnicity pay gap 2023/24

UK **-2.9%**
2022/23 -2.2%

US **3.6%**
2022/23 2.0%

Mean gender incentive gap 2023/24

UK **-14.4%**
2022/23 -1.3%

US **-24.4%**
2022/23 -29.4%

Mean ethnicity incentive gap 2023/24

UK **51.7%**
2022/23 55.7%

US **-3.4%**
2022/23 -2.2%

Responsible Business fundamentals

UN Sustainable Development Goals

Operating a responsible business

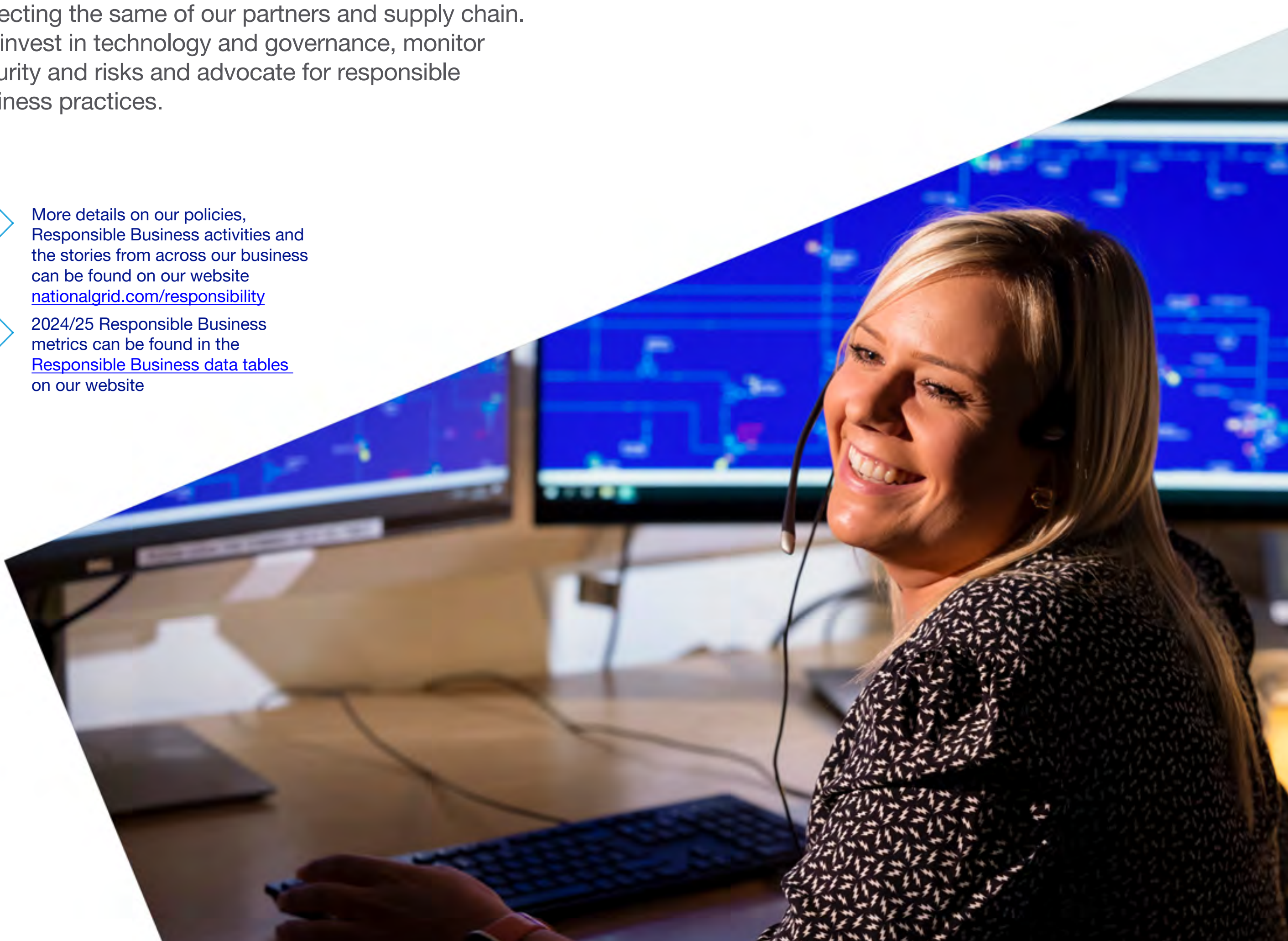
Every day, we safely, securely and reliably connect millions of people to energy, prioritise resilience and operate responsibly.

We aim to continue to deliver on what is expected of us and to be a compliant and ethical business in everything we do. We seek to do this by ensuring safe and reliable operations, living our values, while influencing and expecting the same of our partners and supply chain. We invest in technology and governance, monitor security and risks and advocate for responsible business practices.

Our Responsible Business fundamentals are the foundation of our RBC pillars. Within this section, we cover activities that are essential to operating our business the right way.

More details on our policies, Responsible Business activities and the stories from across our business can be found on our website nationalgrid.com/responsibility

2024/25 Responsible Business metrics can be found in the Responsible Business data tables on our website



Responsible Business review continued
Responsible Business fundamentals

We are committed to

Safely, reliably and efficiently connecting millions of people to the energy they use

Health and safety

The health and safety of all our colleagues remains paramount. We require our people to Stand up for Safety and demonstrate the company-wide principles of Safe to Say, Safe Choices, Safe to Stop and Safe to Learn.

We endeavour to mitigate risks and eradicate injuries to our workforce, supported by our safety management processes and Group safety reporting system.

There have been no fatalities in 2024/25.

Lost time injuries (LTIs)

We have recorded a Group lost time injury frequency rate (LTIFR) of 0.10 this year, compared to 0.08 in the prior year against our Group target of 0.10 or less, per 100,000 hours worked (this includes contractors working on behalf of National Grid). Despite meeting our Group target, we have seen an overall increase over the year, primarily driven by an increase in incidents such as trips, falls and manual handling injuries.

Injuries to members of the public

This year, there have been two incidents resulting in injuries to members of the public which are attributable to our assets, people or work. These occurred in UK ED and UK ET.

Reliability and resilience

Despite major weather events over the past year, we have maintained reliability at over 99.9% across our networks. Details per business unit can be found on page 21.

We are committed to building resilience through our business continuity programme.

The recent fire at our UK ET North Hyde substation is currently under investigation, further details can be found on pages 5 and 25.

Further detail on resilience in our strategy can be found in our TCFD disclosure on page 59.

Efficiency for our customers

We provide support through initiatives to our customers to help them to take control, conserve energy and save on their bills.

In the UK, our transmission network cost decreased from £24.49 in 2023/24 to £19.23 in 2024/25 (excluding ESO). The contribution of distribution costs increased from £104.01 to £132.18.

In the US, our total average electric customer bill across our jurisdictions in 2024/25 has increased since last year to $1,975.38, $1,396.68 for low income customers.

Our total average gas customer bill across our jurisdictions in 2024/25 has also increased to $1,663.34, $954.49 for low income customers. We recognise the need for further support in the US, particularly for customers facing higher energy bills and are raising awareness of financial assistance and services to help manage and save on energy bills, more of which are detailed on page 50.

Further information on how we operate safely and efficiently can be found on page 17.

We are committed to

Influencing our supply chain to operate responsibly

Suppliers must adhere to our Supplier Code of Conduct which includes commitments to the real Living Wage, compliance with the Conflict Minerals Rule and the establishment of environmental strategies and targets.

We are providing greater transparency and accessibility in our sourcing system through our new procurement sustainability tool. Aligned to the Global Industry Classification Standards (GICS) and National Grid's Category Tree, the tool triggers a sustainability heatmap by pulling out bespoke questions to embed into sourcing events.

We are a partner of the Supply Chain Sustainability School in both the UK and US, enhancing the skills of our priority suppliers. We have also partnered with the Sustainable Supply Chain Alliance (SSCA), which consists of utilities and suppliers and aims to promote sustainability best practices.

We are

Fair to our suppliers and are committed to paying them promptly

We recognise that timely payment is crucial for the financial health and operational stability of our suppliers. We adhere to the agreed payment terms set out in contracts or purchase orders and our finance team works diligently to ensure that all invoices are processed efficiently.

In the UK, we are a signatory of the Prompt Payment Code and we also encourage our suppliers to adopt the principles of this code.

We are committed to

Delivering against our Human Rights Policy

Human rights are integral to our Code of Ethics. This maintains our reputation as an ethical company that stakeholders want to do business with and colleagues want to work for.

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

Further details of our human rights and modern slavery disclosures can be found on page 277. Details of these policies can be found in our Responsible Business reporting centre on our website.

We are committed to

Being a compliant and ethical business in everything we do

We are committed to maintaining high standards of compliance and ethical conduct. We have established rigorous internal incident categories and associated reporting to drive the right behaviour, identify and monitor themes and trends, and facilitate learning.

A breach of the Code of Ethics can have different outcomes depending on the severity and detrimental impact to people and our organisation and may result in disciplinary actions up to and including dismissal, in line with our disciplinary procedures.

Following the implementation of the Workers Protection Act 2024, we have reviewed and updated our Respect at Work policy, Grievance policy, Code of Ethics and Supplier Code of Conduct to ensure sexual harassment in the workplace is included. Communications across the business have taken place to highlight our expectations and how colleagues can 'speak up' and report concerns.

We have a communication and training programme which aims to promote a strong ethical culture and is backed by mandatory e-learning for colleagues to understand and apply our Code of Ethics. We have a zero-tolerance stance on fraud, bribery and corruption of any kind and we regard the potential for bribery and corruption as a significant risk to the business. We have established policies and governance in place that set and monitor our approach to preventing financial crimes, fraud, bribery and corruption, including our Code of Ethics.

To ensure compliance with the UK Bribery Act 2010 and other relevant legislation, we undertake a fraud and bribery risk assessment across the Company on an annual basis. This identifies higher-risk areas such as system access controls, supplier fraud and potential conflicts of interest. We make sure adequate policies – such as our Anti-Financial Crimes Policy, which applies to all colleagues and those working on our behalf – and procedures are in place to address them.

Ethics, compliance and business conduct is discussed quarterly at the Ethics, Risk & Compliance Committee (ERCC) and twice a year at Audit & Risk Committee. Serious issues that meet our escalation criteria are reported in line with our escalation process through the Chief Legal Officer & Chief Compliance Officer, Audit & Risk Committee and the Board as appropriate. All cases are investigated promptly and, where appropriate, acted upon, including ensuring any lessons learnt are communicated across the business.

Whistleblowing

We operate confidential internal and external 'Speak-up' helplines that are always available, in all the regions where we operate for individuals to raise concerns about breaches of the Code of Ethics. This is supported by our 'Speak-up' policy which sets out how we will protect anonymity, support and protect whistleblowers and our zero-tolerance approach towards any form of retaliation. Whistleblowing is regularly discussed in the ERCC locally and at the Audit & Risk Committee at Group level, as per page 112.

Artificial intelligence

We use artificial intelligence (AI) to solve problems and gain insights for ourselves, our customers, society, and the environment. We recognise the importance of developing and using AI in a responsible manner. Our BMS Data Standard is reinforced by dedicated Responsible AI policy and controls, due diligence assessments of both ourselves and external partners, and an AI Governance Council. We continually review and update our approach in line with regulatory, sustainability, and technological advancements.

We are committed to

Investing in developing technologies and innovations

National Grid Partners (NGP) has invested c. $500 million in new technology companies since its creation in 2018.

This year, investments have ranged from carbon capture technology, dynamic line rating technology and superconducting power lines, to AI systems and design software.

Further details on technological change can be found on page 13.

Find out more about our innovative projects and investments on our NGP website ngpartners.com/portfolio.

We continue to

Ensure we have appropriate governance in place to deliver on our Responsible Business commitments

With the support of our Board and five sub-committees we are provided with strategic direction and structure to deliver sustainable shareholder value.

For further information on the Board and Committees please refer to pages 98 – 120.

We are

Ensuring security and risks, cyber and physical, are appropriately monitored

We are prioritising cyber security, data protection and responsible AI through the implementation of effective solutions which manage vulnerabilities, ensure compliance with regulatory requirements, and fulfil reporting obligations. We enforce data protection controls to comply with relevant privacy laws and standards, such as use of strong passwords, regular software updates and providing colleague training on best practices.

To minimise security incidents, protect customer data and ensure the ethical use of AI, we keep up to date with the latest trends and technologies, collaborate with industry and government, and share information and best practices.

Please see our Operational Principal Risk on page 38 for further information.

We are committed to

Working with stakeholders and the wider industry to promote Responsible Business topics and advocate for action

Details on stakeholder engagement at National Grid can be found on pages 22 – 24.

International engagement

At COP29 in November 2024, we partnered with the UK Government, We Mean Business Coalition and Climate Action, among other UK, US and international organisations, to participate in 64 organised events and countless discussions regarding the energy transition.

Our focus was on sharing knowledge and ideas to develop reliable and clean power systems, discussing challenges and opportunities on supply chains, and demonstrating the important role innovation can play in optimising our infrastructure.

As part of our wider international engagement this year, we shared our expertise in managing energy networks with intermittent renewable energy and collaborated with other countries through initiatives such as the Green Grids Initiative, the Energy Transition Council and Mission Innovation. Over the last year we have shared knowledge and experiences directly with 10 countries, including China, Vietnam and Singapore, to support the energy transition internationally. This year, we were also a major participant in New York Climate Week and London Climate Action Week.

Responsible political lobbying

National Grid is committed to responsible lobbying and engagement with our elected leaders across all jurisdictions in which we operate. We engage in a manner appropriate to the jurisdiction, despite variations in lobbying definitions across these geographies.

Our lobbying and engagement is aligned with the 1.5°C global warming ambition of the Paris Agreement.

We have global corporate policies on political contributions, responsible political lobbying, employment of former public officials and secondment of employees into public bodies, all accessible on our website. Our guidelines include clear principles, an integrated management approach and Board accountability and oversight.

Full details of our political donations and expenditure can be found on page 278.

Trade associations

We are a member of various trade associations where we share our knowledge, expertise and insight to inform the work of respective bodies.

We conducted a trade association review in March 2024 where we reviewed the alignment of our 35 trade associations across the UK, US and Europe with key criteria, as well as setting out National Grid's involvement and relationship with each organisation.

Full details on our trade association review can be found on our website.

Transparent reporting

Transparent and public reporting is an integral part of being a responsible business. We remain committed to reporting our activities, commitments, and performance in a transparent manner, including our sustainability data and performance.

Our approach

To determine which responsible business issues are important to our business and essential for us to embed in our strategy, we undertook a double materiality assessment in 2022. We identified six topics that encompass the most significant aspects for our business and align with the concerns of our stakeholders. These focus areas represent opportunities for us to make a positive impact on pressing societal challenges, including those outlined in the UN Sustainable Development Goals (UN SDGs). There are four key SDGs that link to our commitments; SDG 5, 7, 8 and 13.

Further details on our material topics and most recent double materiality assessment, as well as our work against the UN SDGs can be found on our website.

We recognise the need to adapt to changes and remain proactive in addressing emerging challenges and opportunities. We are committed to continuously evolving our approach and striving for improvement to maintain robust performance on Responsible Business.

How we assess performance

Responsible Business is conducted in accordance with widely recognised standards and frameworks.

Our performance and disclosures undergo evaluation by reputable sustainability indices and external organisations. This external evaluation provides valuable insights and helps us assess our sustainability performance against industry benchmarks and expectations.

2024/25 Responsible Business performance rating

The Directors are responsible for reporting our Responsible Business (RB) data as at 31 March 2025, in accordance with the reporting criteria as set out in Our Reporting Methodology document. Our key RBC and performance metrics are detailed in this section, while the complete set of metrics can be found in our Responsible Business data tables.

Scope of Responsible Business reporting

Our Responsible Business reporting covers our Group. Our businesses report in line with the financial year (1 April – 31 March), and our Responsible Business metrics have been calculated on this basis, unless stated otherwise. All metrics include the results of the Company and its wholly owned subsidiaries. Joint ventures that do not fall under National Grid's operational control have been excluded from this report. The main changes to our operations over the past two years include:

- Viking Link (VL), our subsea interconnector linking the electricity systems of the UK and Denmark, became operational in December 2023. We included VL in our 'Interconnector capacity' metric for 2023/24, as it was operational by 31 March. It was not included in some other RB metrics in 2023/24 due to it being non-operational for the majority of the period; however, 2024/25 will be the first period in which VL will be included in all relevant RB performance metrics.
- On 1 October 2024, the National Energy System Operator (NESO), was launched under UK Government ownership following separation of ESO and National Grid. For 2024/25 full year reporting, ESO RB data is excluded as per our reporting methodology.
- In May 2024 we announced our intention to sell our National Grid Renewables and Grain LNG businesses. In line with our RB reporting methodology for disposals, these operations continue to be included within our RB metrics and will be removed from our reporting from the start of the reporting year that they leave the Group.

For further details please refer to our Our Reporting Methodology document.

Assurance

We engaged Deloitte LLP to undertake an independent limited assurance engagement using the International Standard on Assurance Engagements (ISAE) 3000 (Revised): 'Assurance Engagements Other than Audits and Review of Historical Financing Information' and ISAE 3410 'Assurance Engagements on Greenhouse Gas Statements.'

The Board of Directors of National Grid plc has reviewed and approved the ARA and Responsible Business data tables for the 12-month reporting period ended as of 31 March 2025. The Board of Directors confirms that the information provided is accurate and in line with the mandatory requirements and selected information has been independently assured by Deloitte.

Deloitte has provided an unqualified opinion in relation to the metrics that are identified with the symbol on pages 18 – 21 and 77 and in the Responsible Business data tables. Prior year externally assured data by PricewaterhouseCoopers LLP (PwC) are identified with the symbol. This Responsible Business review includes many externally assured metrics, though they are not separately marked with the symbol. All RB metrics in the data tables not covered by Deloitte or PwC have been assured by our internal second-line Risk and Controls team.

Each year we reassess our assurance scope to ensure that we obtain external assurance for our most material metrics. We intend to evolve our assurance approach in line with market developments and we will actively explore opportunities to incorporate more rigour into our approach in future years. Non-financial information, particularly GHG quantification, is subject to more inherent limitations than financial information. It is important to read this report in the context of Deloitte's full limited assurance opinion and our reporting methodology.

Reporting centre

Beyond our Responsible Business review and TCFD statement in this report we also produce supplementary reports aligning to established sustainability reporting standards:

- Responsible Business data tables
- EU Taxonomy
- Green Financing Report
- SASB
- GRI

Our Responsible Business reporting centre consolidates our suite of documents, policies and our commitment to reporting.

For more information visit our Responsible Business Reporting Centre at **nationalgrid.com/responsibility**

Task Force on Climate-related Financial Disclosures (TCFD)

Understanding the potential impacts of climate change

At National Grid, we recognise that addressing climate change is the defining challenge of the 21st century and the energy transition is accelerating at pace. Our networks and operations are crucial to transforming 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 2ºC above pre-industrial levels, and to pursue efforts to limit the increase to 1.5ºC.

We have supported the recommendations of the TCFD since its initial publication. The framework helps us understand the impact of climate change on our operations and has benefited us directly by: shaping our governance structure to effectively oversee risks and opportunities; aligning our business strategy to identify and seize transitional opportunities, including our significant step up in asset growth; developing values of sustainability in our corporate culture; and embedding climate change into our risk management framework, which has engaged our lines of defence to manage the associated risks.

We fully comply with FCA Listing Rule 6.6.6(8)R 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.

We published our second CTP in May 2024, which sets out the strategic action plans and mechanisms to realise our net zero commitments.

01 Governance

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

National Grid has five strategic priorities, as set out on pages 14-15, one of which is to enable the energy transition for all. Responding to climate change and the transition to net zero is therefore at the heart of our strategy. The Board delegates elements of its responsibility to its various Committees, although retains ultimate responsibility in setting the Group's climate-related strategy and goals.

Members of the Board bring a variety of skills and experience, including expertise in delivering sustainability and climate change strategies. Its members have the requisite expertise in climate change and sustainability to effectively support the Group's strategy. This determination is based on an evaluation of their background and experience, particularly in the energy sector, executive roles, and expertise in sustainability and climate change, including related risks and opportunities. Specifically, several Board members, including Martha Wyrsch and Earl Shipp, have relevant experience in these areas. Martha brings extensive knowledge and experience around climate-related issues through her previous experience as CEO of a major international gas transmission business and in leading the growth and development of the renewable energy business of Vestas in the US. Earl Shipp, Chair of the Safety & Sustainability Committee, through his extensive career in the chemicals industry and his experience as a member of the U.S. Federal Reserves Energy Advisory Committee, brings to the Board knowledge of environmental, sustainability and climate-related issues. Other Board members including Jonathan Silver and Anne Robinson bring additional climate-related experience from previous roles. See pages 99-102 for information on the individual experience of Board members and page 111 for the specific skills attributed to the Board, including sustainability and climate change.

The Board received four updates from the Chair of the Safety & Sustainability Committee in the year to provide an overview of matters discussed at its Committee meetings, including progress against goals and targets addressing climate-related issues. The Board 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 Safety & Sustainability Committee met four times during the financial year where it discussed climate-related risks and opportunities. In addition to these formal meetings, a regular dialogue was maintained between the members of the Committee and senior management to enact the Group's climate-related strategy.

In 2023/24 the Safety & Sustainability Committee took into consideration the adoption of 1.5°C aligned near-term science-based targets and the 2040 net zero target date recommended by the SBTi, considering the potential effect of the targets on near and long-term strategy and all stakeholders. After taking into consideration the lack of a SBTi gas sector specific pathway and the requirement for companies classed as electric utilities to be net zero by 2040, it was agreed that the Group was unable to align to the SBTi long-term net zero standard. The Committee agreed the updated near-term science-based targets and a longer-term target to reach net zero by 2050, these targets were reflected in the Group's second CTP which was recommended to the Board and approved by 99% of shareholders at the July 2024 AGM.

In July 2024, a workforce engagement session with members of the sustainability team took place where they discussed the Group's climate transition plan and external reporting approach.

In September 2024, the Safety & Sustainability Committee and the Audit & Risk Committee held a joint session to review progress on the Group's sustainability reporting and disclosure strategy, including plans for future reasonable assurance of Scope 1 and 2 GHG emissions reporting. To support this, the Board approved the appointment of Deloitte for external ESG assurance, adopting a single firm approach for both ESG assurance and financial audits. Future joint sessions will be held where it is beneficial to align and facilitate collaboration between the two committees.

The Board considered climate-related themes across several sessions at its strategy focused offsite in February 2025, including considering the Group scenarios which looked at the Groups's pathway to achieving its strategic priorities and consideration of the pathway to net zero and associated climate-related targets. The People & Governance Committee reviewed the composition of the Board and its committees in the year, applying a Board skills matrix to ensure there is an appropriate balance of skills and competencies, including climate change matters (see page 111).

In February 2025, the Audit & Risk Committee, in carrying out its risk oversight duties, undertook a risk deep dive session on climate change mitigation to understand its impact on the Group's strategy.

The remit of the Board and its Committees under our governance framework, as well as the number of times they meet and the climate-related issues that were discussed through the year, are set out on pages 96-121. Terms of Reference for the Board and its Committees are available on our website nationalgrid.com/about-us/corporate-information/corporate-governance.

For more details visit our Climate Transition plan

Board level

Safety & Sustainability Committee (four scheduled meetings in 2024/25)	Audit & Risk Committee (five scheduled meetings in 2024/25)	Remuneration Committee (four scheduled meetings in 2024/25)	People & Governance Committee (three scheduled meetings in 2024/25)	Finance Committee (three scheduled meetings in 2024/25)
Responsible for assessing and monitoring our environmental sustainability strategy and performance, overseeing progress against our net zero aims and considering potential climate change risks and opportunities.	Oversight of our Responsible Business performance reporting, TCFD disclosures and reporting in line with leading ESG frameworks and the progress of our ESG control and assurance framework.	Considers and approves whether and how ESG targets, including reductions in the Group's direct Scope 1 emissions and the enablement of a net zero transition (Scope 2 and 3 emissions and strategic initiatives) are incorporated into our incentive arrangements.	Is updated on the leadership skills and capabilities needed in the business to deliver our net zero ambitions and set the strategy for attraction and retention.	Considers the financial impact of climate factors on our credit metrics and relevant considerations with regards to debt and equity investors, pension and insurance strategy.

Informing | Reporting

Executive level

Safety, Health & Sustainability Committee	Reputation & Stakeholder Management Executive Committee	Ethics, Risk & Compliance Committee	Policy & Regulation Committee	Investment Committee
Reviews and manages Group-wide environment tracking/monitoring and the related decisions.	Assesses the broader external context and provides strategic oversight for external engagement, including climate.	Oversees the implementation of the Group's risk management and compliance framework and assessment of climate-related principal risks.	Agrees and provides strategic oversight of the Group's climate-related public policy priorities and positions.	Has delegated authority to improve investment decisions, including and not limited to those related to ASTI and NY upstate upgrades and acquisition and divestment decisions.

Informing | Reporting

Management level

Sustainability Steering Group	ESG Steering Group	Sustainability Implementation Group	Business unit Green Financing Committees	Finance ESG and Group Sustainability teams
Provides oversight of the integration of Responsible Business into National Grid.	Provides strategic oversight and alignment on ESG activities, including climate.	Ensures that our RBC commitments and principles are executed and implemented consistently across the Group.	Provides governance of green financing.	These teams develop the Group's sustainability reporting strategy, ensuring credible and reliable data, including TCFD disclosures.

Informing | Reporting

Business unit level

Supports the implementation of the Group's Responsible Business Charter, our CTP and climate change risks and opportunities.

Task Force on Climate-related Financial Disclosures (TCFD) continued

Management's role

The Board delegates to management the responsibility for asset investment and maintenance planning, implementation of the net zero strategy and overseeing the development and achievement of commitments and targets in the RBC, including targets related to delivering our CTP. Management is also responsible on a day-to-day basis for the management of climate-related risks and opportunities faced by the Group and for delivering the roadmaps to achieve the net zero strategy set by the Board.

Sustainability-focused roles are 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.

Our Chief Sustainability Officer heads a team of subject matter experts who lead the implementation of the RBC across the Group by working closely with business units to ensure their strategy and operations align with our decarbonisation and climate resilience targets. The Sustainability and Strategy team sets the Group's sustainability strategy, modelling potential climate scenarios and developing glidepaths that align to GHG emission reduction targets. In addition, they refreshed and published the Group's second CTP in 2024 which incorporates the Group's SBTi targets and seeks to better align with the framework prescribed by the UK's Transition Plan Taskforce (TPT) published in October 2023 and the sector guidance published in November 2023.

Additionally, the team leads the Supply Chain Climate Strategy Steering Group, which brings together SMEs across the business units, Procurement and Finance to provide oversight and progress against our sustainable supply chain objectives, including reporting improvements, decarbonisation levers and supplier engagement.

Climate adaption and mitigation activities to address our physical risks are embedded into our core business processes. The Chief Engineer's Office leads the development of climate adaptation frameworks across the Group to ensure there is a consistent approach to assess the vulnerability of our energy assets and to guide strategic investment planning to ensure network resilience. Further delegation is given to our core operational businesses, including business unit Presidents who are accountable for delivering the net zero roadmaps for their businesses. Corporate Affairs, Group Finance, Sustainability, Safety & Health and People teams support the businesses in achieving their net zero pathways.

The Group Finance function continues to build out its sustainability capabilities through its ESG Centre of Excellence (CoE), Investor Relations and Group Treasury teams. The ESG CoE team are responsible for setting the Group sustainability voluntary and mandatory reporting strategy and ensuring credible and reliable internal and external reporting of sustainability data, tracking the Group's GHG metrics against our targets, developing controls for Scope 1 and 2 GHG emissions, managing external assurance and coordinating ESG rating agency submissions.

The Investor Relations and Treasury teams are responsible for attracting green investment and engaging with debt and equity investors to articulate our climate strategy and how we are managing our climate-related risks and opportunities and engaging with, and supporting, suppliers on their decarbonisation journey. In June, we successfully completed the £7 billion equity raise, one of the largest ever Rights Issues by a UK listed company, underpinning our commitment to deliver our five-year, c.£60 billion investment plan at pace.

How management is informed about climate-related issues

Climate-related issues are flagged via the Enterprise Risk Management (ERM) process described in the Risk section and as set out on pages 34-41. Through our Enterprise Performance Management (EPM) framework, we complete monthly business review processes where more granular targets are embedded in business unit performance contracts. In addition, we engage in regular discussions with regulators, policymakers and other key stakeholders, which helps inform management on key horizon risks.

Other relevant forums

We outline the key Group Executive Committees responsible for monitoring and driving our sustainability performance and managing climate-specific risks and opportunities. Our key management committees are described in more detail below.

The Sustainability Steering Group, chaired by the Chief Sustainability Officer, provides oversight of the integration of Responsible Business into National Grid, including the development of climate targets and future strategy.

The ESG Steering Group brings together senior leaders from Group Finance, Sustainability, Corporate Affairs and Group Legal to provide strategic oversight and alignment on ESG activities including climate, particularly ahead of formal governance meetings, and to discuss insights on latest external ESG trends and potential strategic implications for the Group.

The Sustainability Implementation Group, led by our Responsible Business team, brings together the Sustainability team and representatives from each business unit to ensure that the commitments and principles in our RBC are executed and implemented consistently across the Group. The Sustainability Implementation Group monitors progress against the agreed Responsible Business commitments, including GHG emission reduction commitments, and ensures related topics and issues are reviewed and, where necessary, escalated to the Sustainability Steering Committee.

The business unit Green Financing Committees, chaired by the Group Treasurer, provide governance over our Green Financing Programme that aims to attract funding for the capital investments required to deliver our transition plan. They also approve the publication of our Green Financing Report, which provides an analysis of how we utilised the proceeds from our portfolio of green bonds and their environmental impact. This year the Group issued a ~€1.5 billion green bond and has published a revised Green Financing Framework to incorporate the latest best practice and standards.

Engaging on policy interventions

Advocating for policy changes to enable the energy transition is crucial in fulfilling our net zero commitment, as it establishes the necessary structures and circumstances for reducing emissions and enabling more ambitious action towards a secure, affordable and clean energy future. Over the course of the year we have worked closely with policymakers to navigate the energy transition and leveraged our expertise in energy delivery systems to engage on the goals and political interventions of the jurisdictions in which we operate. A key part of making this a fair transition is the role we play in facilitating the wider decarbonisation of the economy. We believe the role of energy networks is vital to enable the transition to a clean energy future. For more details see our Principles for a Fair Transition document on our website.

See **page 57** for more details on international engagement, responsible political lobbying and trade associations

02 Strategy

Our efforts to understand climate-related risks and opportunities inform our strategic decisions, including our announcement last year to refocus on energy networks and drive unprecedented levels of investment.

We are well positioned to take advantage of the significant growth opportunities from the transition to net zero, by enabling the transportation and distribution of clean energy to homes and businesses in the regions where we operate. This requires a fundamental upgrade of our electricity and gas networks at a pace and scale not seen for several decades. We are delivering these upgrades today across all our jurisdictions.

We are also well prepared to mitigate the physical and transition risks associated with climate change. We use scenario planning to explore distinct possible futures, illuminating the opportunities and risks for us in each. This allows us to test the robustness of our business strategy to a range of potential outcomes and prepare for likely impacts on our business.

In this section, we summarise how we are capitalising on the main climate-related opportunity facing our business: the growth in electricity networks required to support the transition to net zero. We then outline how we use scenario modelling to assess climate-related risks and opportunities, providing a summary of our core scenarios. In the following section, we take a more detailed look at our risks and opportunities.

Investing to enable the transition to net zero

We continue to focus our business on electricity, with nearly 80% of Group assets expected to be electric by 2029. In September 2024, we completed the sale of the remaining 20% equity interest in UK Gas Transmission and Metering business, and in October 2024 we completed the sale of the UK Electricity System Operator to the Government.

In May 2024 we announced our intention to sell Grain LNG, our UK LNG asset, and in February 2025 we announced the sale of National Grid Renewables, our US onshore renewables business, to streamline our focus on networks. The National Grid Renewables sale is expected to finalise in the first half of the financial year ending 31 March 2026, subject to required consents and regulatory approvals.

Our five-year financial framework, forecasts c.£60 billion of investment across our energy networks and adjacent businesses in both the UK and US. Of this, £51 billion is directly linked to the decarbonisation of energy networks and is aligned with the principles of the EU Taxonomy for climate change adaptation and mitigation. Our investment across the Group is expecting to grow our asset base by around 10% per year through to 2028/29, focused in our regulated businesses.

In the UK we are leading the largest overhaul of the electricity grid in a generation. We submitted our Electricity Transmission business plan for the RIIO-T3 period from 2026 to 2031 in December 2024. This includes up to £35 billion of investment in expanding network capacity, connecting customers, and ensuring the health and resilience of the network. Our plan is also designed to adapt to an accelerated pathway in line with the Government's Clean Power 2030 ambition. We are clear that success will be dependent on Government and Ofgem taking bold action on community acceptance and planning consent, reform of customer connections and development of supply chain skills.

Our UK ED business is investing £6.7 billion during the ED2 period from 2023 to 2028 to ensure the readiness of the electricity network to unlock the potential for them to decarbonise further and faster. This includes asset replacement, network reinforcement, new connections, facilitating infrastructure for heat pumps, electric vehicles and generation.

In the US, well-developed energy transition scenarios have enabled us to submit credible rate case filings outlining the investments needed to deliver the energy transition. In New England, we submitted our Electric Sector Modernization Plan, outlining the critical investments needed in the electricity distribution system over the next five years of $2 billion. The proposed investments in the Future Grid Plan align with feedback from customers and communities as part of an extensive engagement process in advance of this submission.

As part of our five-year capital investment framework to 2028/29 we expect to invest around £17 billion and £11 billion in our New York and New England regulated businesses respectively. In New York, we are making significant progress on the $4 billion upstate upgrade programme, which includes modernising the grid to meet the increasing demand for more reliable and renewable energy sources. We are also building support for the use of alternatives to geological natural gas in our gas network. 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 2028/29, including the necessary maintenance investment across our operational interconnectors. In December 2023, our newest interconnector, Viking Link, became operational. This addition brings our total portfolio of six interconnectors to 7.8 GW of capacity, representing approximately 80% of the UK interconnector market.

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 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 we embark on a new growth phase, we have refined our strategy to focus on networks that will enable economic growth and the transition to net zero. Our updated strategic priorities support our CTP. Within our CTP we have identified necessary policy and regulatory support for future investments aimed at decarbonising the energy sector and reducing our emissions. Achieving our emissions reduction goals will be challenging without backing from policymakers and regulators. For our performance details against the CTP (refer to pages 44-47).

Task Force on Climate-related Financial Disclosures (TCFD) continued

Scenario modelling

We use transition and physical scenario modelling to test how robust our Group strategy is to a range of possible futures out to 2050. We also look at the implications of our Group scenarios for our approach to sustainability and our climate target commitments. In relation to our climate targets, our CTP aligns to a 1.5°C scenario.

Transition scenario modelling

Our transition scenarios are tailored to the business environments in the UK and the US. They encompass a range of energy transition outcomes to 2050. 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 governments and industry prioritise achieving decarbonisation goals through supportive policies and regulatory reforms, achieving net zero by 2050. The main change from last year is the inclusion of the 'Balanced Pathway 2°C' instead of a second 1.5°C pathway. The 2024 UNEP Emissions Gap Report, which concludes that current Nationally Determined Contributions will lead to a 2.6-2.8°C rise this century, underscores our belief that a 2°C pathway is becoming more likely.

We continually monitor changes in the external environment and update the scenarios as part of our normal risk management process.

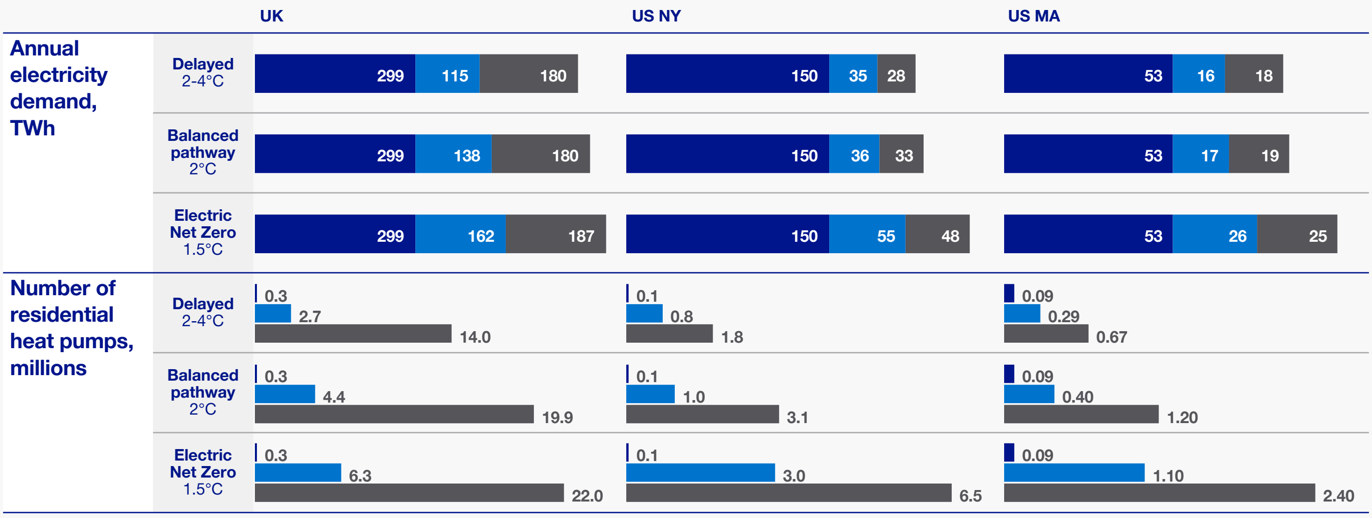
There are limitations to the scope of our modelling, for example, available data across other sectors. We use a wide range of resources and compare our results with external scenarios to mitigate this. While our scenarios are not intended to be predictions of likely future events, they inform our understanding of possible risks and opportunities arising from climate change.

These scenarios, along with our strategic planning and risk management approaches, guide us in the identification of material climate-related risks and opportunities as set out on pages 70 – 74.

Transition scenario descriptions, assumptions and inputs (Climate change by 2100 vs. pre-industrial levels (approximate))

	Delayed 2-4°C	Balanced Pathway 2°C	Electric Net Zero 1.5°C
Description	• Represents a world where governments, industry and consumers do not pursue the transition at pace, meaning our jurisdictions miss climate targets.	• 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.	• Governments prioritise the achievement of decarbonisation goals through supportive policies and regulatory reforms, new load is met through clean power sources.
UK assumptions	• Decarbonisation progresses but is insufficient to meet net zero in 2050. • Resource nationalism disrupts established trade flows. • Supply chain disruptions and higher material prices. • Policy delays. • Wind and solar deployment continue very slowly with difficult supply chains and limited Government support. • Gas heating dominates, with low uptake of heat pumps as policies have limited impact. • Electric vehicle (EV) uptake stagnates due to cost. • Load growth is met by thermal generation staying online longer. • Reduced opportunities for further interconnection growth beyond what is in the pipeline.	• Decarbonisation progresses but just falls short of 2030 and 2035 targets. • Total energy consumption reduces 25% by 2050. • Electricity demand doubles by 2050, mainly because of electrification of heat and transport, green hydrogen production and data centre expansion. • Wind capacity targets missed by five years. • Heat pump growth restricted to new build houses. Current houses converting off gas heating continues at current rates. • EVs continues to grow at the current rate with the Zero Emissions Vehicles mandate in place. • Gas for power sector still has a role to play in the 2030s beyond the maximum 5% of power generation targeted in CP2030. • Interconnector projects progress at pace.	• Achieves net zero power system by 2035 and economy-wide net zero by 2050. • Energy consumption reduces >30% by 2050, as more efficient electric technology replaces combustion technology. • Electricity demand increases 2.2x fold by 2050. • Near-complete electrification of demand sectors such as heat and transport supported by strong renewable expansion with distributed flexibility, storage, interconnection and some abated gas capacity providing dispatchable supply. • Heat pumps mandated in existing homes as well as sufficient subsidy to support wide-spread adoption. • Widespread EV adoption as policies achieve targets. • Increased collaboration and coordination results in faster adoption of offshore hybrid assets and overall increased interconnectors.
US assumptions	• Achieves ~60% reduction in energy sector emission from 1990 levels. • 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 picks up based on cost in the 2030s. • 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 a delayed pace.	• Achieves ~70% reduction in energy emission sector vs 95% reduction target by 2050. • Heat pump adoption increases steadily as costs fall, capturing 50% 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. • No new fossil units or major enhancements to existing plant. • 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.	• Core energy sectors including road transport, buildings and electricity achieve ~96% reduction in line with state targets. • Nearly complete electrification of heat demand. • Widespread EV adoption in line with policy targets. • 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.

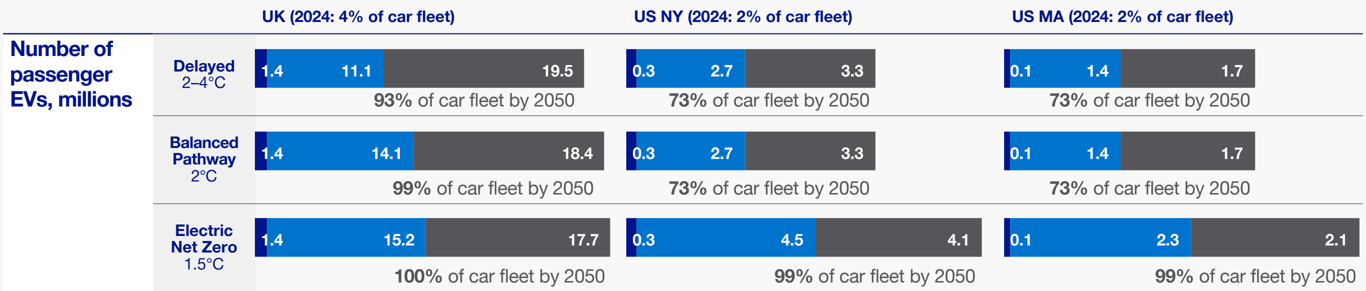
Transition scenario outputs



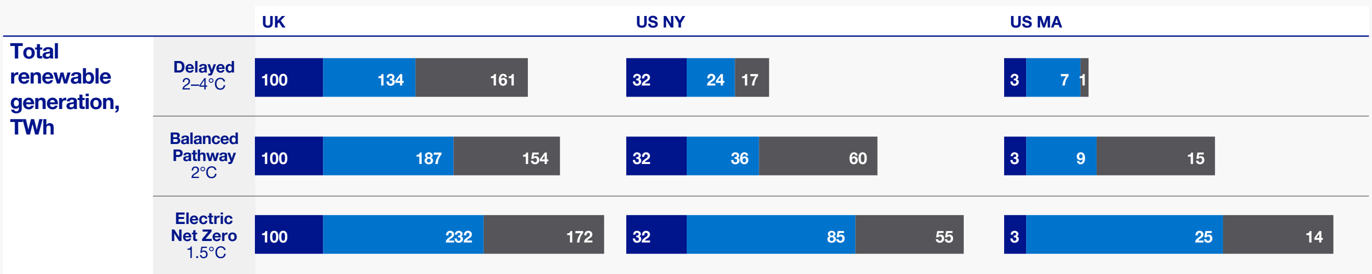
2024 2035 2050 Note: NY refers to New York State, MA to Massachusetts. 2023 numbers added for heat pumps in NY as 2024 data is not yet available.

		US NY			US MA		
		2024	2035	2050	2024	2035	2050
Annual natural gas demand, MMBTU	**Delayed** 2–4°C	826m	842m (+1.9%)	761m (-7.9%)	270m	284m (+5.2%)	288m (+6.7%)
	Balanced Pathway 2°C	826m	820m (-0.7%)	504m (-39.0%)	270m	276m (+2.2%)	176m (-38.8%)
	Electric Net Zero 1.5°C	826m	477m (-42.3%)	44m (-94.7%)	270m	157m (-41.9%)	23m (-91.5%)

Note: Using 2023 data to estimate 2024 natural gas demand in New York and Massachusetts, as 2024 data is not yet available. Percentages shown depict the percentage change in demand vs 2024.



2024 2035 2050



2024 2035 2050

Task Force on Climate-related Financial Disclosures (TCFD) continued

Changes since last year

This year, we have replaced our 'Hybrid Net Zero' scenario (a 1.5°C and net zero by 2050-aligned pathway, alongside Electric Net Zero), with our 'Balanced Pathway', where the energy transition progresses but falls short of government targets and net zero by 2050.

We now see a 1.5°C trajectory as less likely than in previous years. Our updated set of scenarios present a wider range of energy transition outcomes. They reflect governments in the areas we serve seeing economic growth and affordability as key priorities. In some cases they must manage tensions or trade-offs with the short-term costs of the transition.

We have retained our 'Delayed' and 'Electric Net Zero' Scenarios, updating them with new inputs to reflect the latest market, technology and policy trends and settings.

Transition scenario insights

We test the resilience of our business strategy against our transition scenarios, focusing our transition risks on the scenarios associated with lower temperature rises. The transition impact on the Group is most significant in scenarios resulting in a lower degree of warming given the increased action required. The following five transition insights are therefore most relevant to a 1.5°C scenario. As expected, these remain largely consistent with our headline insights from the previous year:

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 settings and interventions will be a key enabler of the transition. Our ability to meet our own net zero commitments relies on these. Without adequate policy supports, for example sufficient Contract for Difference (CfD) budgets for renewables or consumer incentives for heat pump uptake, there is a risk our jurisdictions will fall short of policy targets. Successful implementation of key enabling policies like connections and planning reforms in the UK, and permitting reform in the US, will be a necessary precondition for our jurisdictions to accelerate in line with targets.

2. Electricity use and share of final demand will increase driven by consumer electrification and large load growth (e.g. data centres)
In the UK, we expect electricity demand to increase almost 50% by 2035 and more than double by 2050. In our states in the US, we expect an increase of around 25% by 2035 and approximately 50% by 2050. The demand increase arises from the electrification of heat, transport, and large loads such as data centres.

The role of data centres is rapidly changing, and we are updating our modelling capability to improve our understanding of this area and the extent to which energy efficiency may mitigate the sharp increases expected in some scenarios. Overall, the share of final demand will drive additional growth and investment in our electricity network while resulting in lower demand for our gas network.

3. Energy supply structure will continue to shift
There will be a global shift to power generation from renewable and low carbon sources. We are seeing a resurgence of interest in nuclear, including next generation technologies like small modular reactors, although they are not yet cost competitive.

4. Pathways will adapt to global and local realities
Both the UK and US elected new governments in 2024, leading to energy policy changes. The US Federal Government is focused on achieving economic growth and security through energy abundance, with a focus on natural gas and energy infrastructure, and has paused offshore wind leasing, while our States continue to pursue climate targets and policies.

In the UK, the Government is pursuing an accelerated power sector decarbonisation agenda, with an ambitious role for offshore wind (including a target of 50 GW by 2030). We expect different energy transition pathways in different jurisdictions.

5. CTP achievement will be challenging in slower scenarios

Each scenario is different, and in some we will not be able to meet our targets. It is important to recognise that the non-delivery of, or delay in, policy, regulation and other dependencies on which achieving our targets are contingent, will impact our capability to achieve our targets.

None of the transition scenarios tested 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 70 – 74.**

Physical scenario modelling

We use Group-wide climate scenarios to directly assess our vulnerability to climate change. These scenarios consider society's progress toward limiting global temperature increases against pre-industrial levels, benchmarking against an average increase of 1.5°C, in keeping with the Paris Agreement. We have modelled the way in which our business could be directly impacted as a result of increasing physical climate impacts, including extreme weather events and chronic changes in weather patterns. For physical risks, we review climate hazards which we believe would have the most significant impact and are most likely to occur within our territories.

Descriptions, assumption and inputs

The climate hazard data is sourced from the relevant national climate assessments in the US (CMIP5) and in the UK (UKCP18). Scenario data is modelled using the IPCC's Representative Concentration Pathway (RCP) scenarios of RCP8.5 (4°C) and RCP4.5 (2°C). The modelling covers decade timeframes; 2030s, 2040s, 2050s and 2070s, with comparison to a baseline of 1981–2010 in the UK and 1976–2005 in the US.

Climate projections are inherently uncertain and are not meant to be construed as predictions of future climate. These uncertainties arise from incomplete understanding of earth's systems, natural variability, model limitations, and observational errors. Despite these uncertainties, this should not delay actions to mitigate or adapt to climate change.

Physical insights

The climate hazards most significant to us are summarised below.

Outputs

Most hazards are projected to increase in frequency in the future, with high temperatures and coastal and river flooding of particular concern across consistent areas of our operations. In most cases the level of risk is greater in a 4°C scenario than a 2°C scenario.

We have progressed our physical risk analysis and asset vulnerability to inform our strategic planning and investment choices. Our internal Climate Change Risk Tool (CCRT), which has a dedicated geospatial capability, is enabling us to create bespoke physical risk assessments for each business based on the specific asset and hazard data that is material to their operations, while still retaining a Group strategic view of our overall business.

Our risk assessment shows the risk to most of our existing asset portfolio although the CCRT does not currently include NGED and NGV UK's assets. We continue to align this with data relating to our new infrastructure investments and our material acquisitions and disposals so that our cumulative picture of risk will begin to change. The outputs are used in the Group-level Climate Vulnerability Assessment (CVA).

Wildfires have been an impactful climate hazard in areas around the world such as the western United States. While the risk of major wildfires spreading is lower in National Grid's service territory, we have taken steps to improve situational awareness and refine operating procedures in the event of a wildfire in our territories in the UK and US. Additional assessments are planned and underway to better understand potential vulnerabilities and develop mitigations.

Flooding

Definition	Vulnerability
Coastal flooding River flooding	Risk of power failure, accelerated asset corrosion, debris damage, equipment submersion and water infiltration, soil erosion

Warm weather

Definition	Vulnerability
High temperatures Heatwaves	Risk of power failure, equipment overheating, warmer air temperatures contributing toward accelerated ageing, reduced capacity of transmission and distribution lines

Cold weather

Definition	Vulnerability
Low temperatures Freeze thaws	Ice accretion overloading overhead lines, structural failure

High winds

Definition	Vulnerability
High winds	Structural failure to overhead lines due to extreme wind exceeding design standard and vegetation contact

Task Force on Climate-related Financial Disclosures (TCFD) continued

Climate Vulnerability Assessment (CVA)

Using the CCRT outputs and insights, we also conduct a Group-wide CVA which considers the impacts of climate change on our assets over the next several decades. Understanding changing climate conditions and the risk to our assets ensures appropriate mitigation efforts are considered to protect existing assets and build climate resiliency into future assets.

The typical lifespan of our assets is often 50 years or more, so future climate hazards need to be considered during the planning process to avoid premature asset repair or replacement. For example, the location of a proposed new substation may not be in a coastal flood prone area today, but climate model projections may indicate that it will be in 10 years. Understanding the future climate hazards allows us to make informed design decisions and update hardening programmes to protect our Group's assets and improve reliability for customers.

Our CVA began in December 2022, led by a steering group of senior leaders from each of our businesses, and a working group with business representatives from our engineering, resilience and policy teams. We use the outputs of the CCRT as a basis for this assessment where possible.

It is a phased programme of activity which will deliver an adaptation plan to address assets with the highest resilience risk. Sharing best practice with other energy utilities informs our approach and the ongoing development of our industry-leading CCRT. Our tool was recognised by the Centre for Climate and Energy Solution (C2ES) for climate change innovation.

Our CVA is a risk-based approach where each business unit identifies critical assets which are physically vulnerable to climate hazards. The process accounts for existing adaptation plans such as storm hardening programmes and leverages the latest climate science. Adaptations will be local and developed by each business unit to inform standard updates, future capital investments and industry alignment.

The actions taken by the Group in order to ensure we predict and respond to a significant disruption of energy supply because of climate change and storms are described further on page 38.

In addition to the Group-wide assessment, each business unit conducts climate resilience or adaptation assessments per their regulatory requirements, which are discussed further on page 74.

CVA process methodology and outputs

Process

Phase 1
Scope
Validate scope including climate science, hazards and assets

Phase 2
Assess vulnerability
Climate vulnerability risk = exposure x potential x hazard

Phase 4
Adaptation
Develop adaptation plan to address assets with the highest resilience risk

Phase 3
Assess resilience
Assess climate resilience assets at risk, accounting for those with adaptation efforts in place

Outputs

Business-specific vulnerability assessment reports	Equipment specification updates	External engineering standards	Asset policy changes	Discrete investment projects	CCRT development
To support future regulatory submissions	To identify where changes are needed	To influence, change and establish industry resilience standards	To deliver climate resilient assets at least cost	To address immediate vulnerability risks not captured in existing investment plans	To continuously improve our CCRT through application

03 Risk management

Climate change has been integrated into our Enterprise Risk Management (ERM) processes for several years

Climate change and ERM

Climate change is a key risk factor for the Group and we have integrated it into our ERM process. Our ERM framework and process consider the physical and transition risks associated with climate change, as well as the potential impact of these risks on our business operations, financial performance, and reputation. For more information on our ERM framework and process, which remains consistent with the prior year (refer to page 34).

For our climate change Group Principal Risks (GPRs) there are two distinct elements:

1. Climate change (mitigation GPR): The standalone mitigation risk is aligned to our 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 36).

2. Significant disruption of energy (adaptation GPR): The adaptation, or physical risk activity, absorbed within the control framework associated with the 'Significant disruption of energy' risk, has helped ensure we continue to deliver energy reliably for our customers, with a focus on resilience (refer to page 38).

This allows us to have greater oversight, focus and adoption of two distinct and proportionate control frameworks in line with the new Group risk appetite – mitigating downside risk, and maximising opportunities, where applicable.

In addition to the two main GPRs above, other GPRs influenced by climate-related transition and physical risks include 'Upstream supply' and 'Major capital programmes' which are more pronounced in a 1.5°C scenario and require proactive measures. The risk of a 'Significant safety or environmental event' is partly linked to physical climate risks, necessitating strict safety and environmental practices. Acute physical risks are currently occurring and are anticipated to increase in frequency and severity, with significant risks projected over a longer horizon, particularly in a 4°C scenario.

We continue to develop our risk and opportunity horizon scanning to assess critical trends in the energy transition. With input from our senior stakeholders and external risk experts, key indicators and metrics are measured monthly against thresholds and analysed against our current strategy and business plans. Emerging risks are managed under our risk management framework with results reviewed by senior leadership (refer to page 41).

Integration of the climate risk management process into our overall risk management framework

Consistent with the Group's overall approach to risk management and internal control, climate change risk management activities take place through all levels of our organisation. We deploy an industry good practice 'Three Lines' model to deliver our risk management and internal control activities which is described further on page 34.

Group's Risk Taxonomy

The Group's Risk Taxonomy supports all levels of the business to categorise any climate change risk into one of our four taxonomy groups: strategic, operational, financial, and compliance. Sub-categories beneath these four groups allow the business to select a more granular taxonomy grouping with an assigned risk appetite. All GPRs are considered the most important risks and we do not prioritise.

Despite external risk pressures, our risk exposure specific to our climate-related risks is largely unchanged with the majority of our risks operating within risk appetite. The climate-related risks align directly with two primary risk categories – strategic and operational.

How we manage and monitor our climate-related risks

As part of our risk management process, we have assigned key controls to manage both our climate change mitigation and adaptation risks. The controls for our climate change mitigation GPR are in line with our strategy and regulatory frameworks and are also reflected throughout other relevant risks, for example: regulatory outcomes; political and societal expectations; and significant disruption of energy. The key overarching mitigation controls involve tracking progress against targets, identifying changes that could trigger additional transition risks, and implementing procedures and proposed solutions to overcome them. Our key climate change adaptation controls include the following:

- **Fit for Future of Electricity Strategy:** A corporate strategy that considers the steps to ensure our business remains resilient in the future, such as enhancing design standards, and investments on asset hardening and flood protection.
- **Engineers Governance forums:** Group Chief Engineer and engineering duty holders sharing guidance and data on key topics such as resilience.
- **Resilience and Asset Management Business Management Standard (BMS):** Sets out minimum requirements and a framework for resilience capability and managing asset risk to ensure each business unit is prepared for the next disruptive event.
- **Establishment of the Business Resilience and Crisis Management organisation:** Reporting to the Group Risk Officer and Group Legal, this team is focused on building resilience to all threats and hazards. This includes the development of crisis management and business continuity plans, training, and exercises to help align and coordinate our response to severe weather and other crisis events; while also leveraging innovative technologies to improve our intelligence, looking strategically at evolving risks associated with climate change. We are also expanding our network of external stakeholders to identify and leverage industry thought leadership and play an active role in shaping new policies and regulations.

Assessing our Climate-related financial risks and opportunities

Our Group risks are rated on a scale of 1 to 5 across three categories: financial, reputation and likelihood. The financial ratings correlate to financial bandings from low to high and our reputational impact categories scale from 'internal' to 'international'. This approach is consistent with our Group Principal Risks and the Principal Risk stress testing conducted as part of our Viability Statement on page 93. Then the overall indicative risk score is calculated by multiplying likelihood (see below for scaling details) by the greater of financial or reputational impact score. For our TCFD disclosures we then expand on this internal analysis of impact, timeframe and likelihood for each risk and opportunity to overlay additional market data and input from subject matter experts across the Group.

Task Force on Climate-related Financial Disclosures (TCFD) continued

Our material climate-related risks and opportunities

Time horizons and probability

Guided by our scenario modelling, strategic planning, and risk management approaches articulated above, the climate-related risks and opportunities that pose a financially material impact to the Group are detailed below, along with our basis of measuring and responding strategically to each. We have only reported risks and opportunities that are financially material.

Time horizons

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

Short	Medium	Long
up to one year In line with our annual planning and shorter-term budget processes.	**from two to ten years** Reflects our strategic business planning process period.	**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 processes 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.

1. Transition Risk

Demand for natural gas is expected to reduce in the long term

Risk/opportunity

Policy and Legal

There is an important future role for gas in our US jurisdictions, including the gas assets we own and operate today. In the long term, our energy networks will need to decarbonise to achieve net zero targets. The future role of gas will depend on economic, technological, legal, policy, and regulatory developments.

Over the next decade, demand for natural gas in our US jurisdictions will remain strong, driven by affordability and economic development priorities of our stakeholders and customers. In the longer term, pathways toward net zero targets assume significant electrification, including heating, which would increase electric load and reduce gas demand. This has a bearing on 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 (term):

Short – Medium – **Long**

Likelihood:

Very low – Low – Moderate – **High** – Very high

Measurement indicators:

- Gas UEL sensitivities
- GHG emissions
- CTP

Potential impact

Heat pump adoption is a good indicator of electrification trends, and therefore likely future demand for gas. In September 2024, National Grid reviewed heat pump adoption. We found that it lags state targets and is driven almost entirely by subsidies. Massachusetts has installed 90,384 heat pumps towards a 2030 target of 500,000, while New York has installed around 58,937 against a target of one to two million homes.

Frequent cold weather events in parts of NY and MA are also driving continued use of the gas network. For example, in January 2025, MA experienced a cold snap during which demand for gas heating was so high that multiple peak-serving LNG storage assets were needed. This spike in demand brought high heating bills and affordability concerns, particularly for low-income customers, into sharp focus. In response, the MA Department of Environmental Protection directed the programme administrators to cut $500m from the three year budget for the statewide plan to accelerate the pace of heat pump adoption. As extreme cold weather events are likely to reoccur in the future, continued use of the gas network is more likely as some customers adopt partial heat pumps and retain gas connections as backup.

Besides heat pump adoption, substantial investments into the electric network would be required to reduce gas reliance. In New York, scenarios meeting 2050 emission targets project residential bill increases significantly, while in Massachusetts, peak electric load is expected to rise from 4.9 GW today to 10.7 GW by 2050 if state electrification goals are achieved. Full electrification scenarios appear unlikely 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 on page 199 – 201 for more details.

Our response

In assessing the UELs of our gas network assets, we consider a range of different pathways for the future of gas demand. These account for customer behaviour, fuel decarbonisation options, and feasibility and affordability of electrification, as well as the net zero ambitions and our jurisdictions' targets.

Although NY and MA's preferred pathways to achieve net zero is focused on large scale full electrification, safety and reliability of the gas network remains a key priority for National Grid and its regulators, as demonstrated by increased investment in our gas infrastructure and allowed recovery of these investments.

While New York's Climate Leadership and Community Protection Act (CLCPA) and Massachusetts' Clean Energy and Climate Plan (CECP) call for fossil free energy by 2050, we note challenges meeting interim targets.

As stated in the recent KEDNY and KEDLI Rate Order, the NY Public Service Commission has acknowledged that "it is impossible at this time to accurately predict the nature of the Companies' gas business in 2050 and whether any continuing use will be made of the Companies' gas distribution system." Alternative pathways proposed in regulatory proceedings exist, which if taken, would suggest a continued use for gas assets, whether as a backup source during the coldest winter days or a significant heating source using alternative low carbon fuels.

Based on our latest assessment, we continue to believe that these assets retain a crucial role in maintaining security, reliability and affordability of energy beyond 2026.

2. Transition Risk

Uncertainty in the extent of electricity demand growth

Risk/opportunity

Market, Policy and Legal

While we expect electric demand growth in all scenarios, there is uncertainty about the scale of electricity demand growth in the face of potential political (including regulatory and legal mechanisms), technological or societal trends.
For example, the recent boom in interest in generative AI has generated forecasts of significantly increased electric load growth.
The uncertainty about the extent of efficiency improvements limits our ability to predict the exact impact on our networks.

Business units potentially affected:

All

Asset group(s) potentially affected:

Electrical Distribution and Transmission

Timeframe (term):

Short Medium Long

Likelihood:

Very low Low Moderate High Very high

Measurement indicators:

- Network reliability
- UK and US power networks
- IFRS 8 capital investments

Potential impact

If we underestimate demand, there is a risk that the transmission and distribution networks we operate in the UK and US may not be adequately prepared to handle the substantial growth in electricity demand necessary to achieve net zero. This shortfall could hinder our ability to meet future energy needs, potentially compromising our sustainability goals and the reliability of our services.

If we overestimate demand, there is a risk that we build surplus assets. This excess can lead to inefficiencies and misallocated resources, ultimately undermining the trust and confidence of both consumers and regulators.

Such a scenario could result in negative perceptions of our ability to accurately forecast and manage demand, potentially damaging our reputation and credibility in the market.

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

Clear policy commitments and pathways mitigate uncertainty by providing a focal point for the industry. We maintain close stakeholder relationships across wider industry and government to anticipate the extent of electric demand growth, and influence enabling policy.

We also have internal analytics teams to model different futures with varying electric demand growth.

We use this proprietary analysis, combined with decades of experience in energy infrastructure development, to plan for the future. Where possible, we include flexibility in our plans to allow us to respond to changing needs.

To mitigate the risk of under or overbuild, we work closely with regulators and system planners. In the UK, we have been pushing for a framework for anticipatory investment to ensure we are able to meet new connections and electrification on time and efficiently. Ofgem accepted this in its ED3 framework decision document, and we will now work together on the details. In both the UK and US, we are making no-regret anticipatory investment to meet the demand for connections.

To mitigate overbuild, in UK ED, the DSO governance panel is charged with ensuring all distribution network build is essential and that all other options for deferral (such as flexibility) have been considered first.

In ET, our RIIO-T3 regulatory plan to Ofgem will enable us to respond to changing need.

In the US, we prioritise investment based on current system performance, engineering planning needs, and execution strategy, while continuing to identify and pursue ways to efficiently deliver a secure, affordable and clean energy future, including through the use of energy efficiency, demand response, and other forms of non-wires alternatives.

We regularly measure and report our network reliability across the transmission, distribution and interconnection network (refer to page 21).

Task Force on Climate-related Financial Disclosures (TCFD) continued

3. Transition Risk

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

Risk/opportunity

Reputation and Market

Delivering an unprecedented transformation of the energy system comes with delivery risk. We rely on supply chains, talent, and finance to play our part in this transformation.

If we are unable to deliver the energy networks of the future where they are needed, when they are needed, wider societal decarbonisation goals are jeopardised.

There is also a risk that we fall short of our own stretching GHG emissions targets and commitments. Missing our own targets and commitments risks the credibility we have with our investors, regulators and other stakeholders.

Business units potentially affected:

All

Asset group(s) potentially affected:

Electrical Distribution and Transmission. Gas Distribution.

Timeframe (term):

Short | Medium | Long

Likelihood:

Very low | Low | Moderate | High | Very high

Measurement indicators:

- GHG emissions
- Network reliability
- Renewable capacity additions
- Proportion of renewables in energy mix
- EU Taxonomy-aligned capital expenditure
- Customer satisfaction (US)
- Cumulative green bonds on issue
- IFRS 8 capital investments
- Supply chain engagement

Potential impact

Our businesses in the US and UK both depend on, and compete in, a global market for green finance, supply chains and talent.

If we are unable to compete effectively for talent, or purchase equipment in the right timeframes, we could also fail to deliver the major network reinforcement needed.

It is also crucial that we have investable regulatory frameworks with the right return on and of capital. Failure to attract investors could undermine our ability to deliver the necessary investments and result in materially lower financial performance.

Our share price and EPS projections could be impacted due to loss of incentives or incurrence of penalties. It is not possible to reliably measure the impact currently.

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. Every sector of the economy, as well as our customers, rely on the energy sector to enable their decarbonisation plans. The ability to connect to our transmission and distribution networks in a timely manner is critical.

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

We are focused on working with regulators to get investable frameworks in place in all our jurisdictions.

We embed climate-related targets into our business unit performance management processes with internal reporting of performance against targets. Emissions reduction targets are also embedded into the incentive arrangements and plans for Executive Directors and the Senior Leadership Group (refer to pages 121 to 149).

The Group CTP sets out our revised 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 have a strategic priority to 'build tomorrow's workforce today' to ensure we have the talent we need to deliver the transition. Our focus areas include strong entry level programmes, including graduates, interns and apprentices, as well as development programmes for our senior leaders.

In UK ET, our supply chain task force, launched in April 2024, ensures we are able to deliver infrastructure at pace, and has taken major steps to transform the way we think about our supply chain. Recently, we launched a new regional supply chain model for substations offering suppliers long-term commitments in a more collaborative way of working. This is in addition to our Great Grid Partnership, a collaborative £9bn supply chain framework with seven partners, enabling us to pool resources, skills, insights and experience to deliver our ASTI programme efficiently in this tight supply chain environment. Ofgem also introduced a £4bn Advanced Procurement Mechanism (APM), enabling us to secure critical equipment and services.

We also engage with our top suppliers by emissions to establish action plans and commitments towards a SBT (refer to page 46).

4. Transition Opportunity

Increased demand for electricity, even in our slowest decarbonising scenarios

Risk/opportunity

Market

National Grid is well positioned to capitalise on the significant growth opportunities associated with the increased demand for electricity in the UK and US. As electricity supply grows to meet increasing demand, we will have a central role to play in connecting new sources of energy to end users via our networks.

Products/Services

This transformational period in the energy sector presents a significant opportunity to invest in innovative solutions to decarbonise our network and reap the rewards of those investments as these technologies scale.

Business units potentially affected:

All

Asset group(s) potentially affected:

Electrical Distribution and Transmission, NGV Interconnectors and NGP investments

Timeframe (term):

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 capex ratio
- Investment in research and development
- National Grid Partners investment

Potential impact

While the pace and scale of electrification growth depends on a range of factors, the positive trajectory is clear, and so is the corresponding need for growth in electricity networks.

In the UK, the Government has announced its Clean Power 2030 (CP2030) Plan, which will see clean power sources produce at least as much power as Great Britain consumes over the whole year, and at least 95% of Great Britain's generation in 2030. In the US, our states have established targets for clean energy supply and consumer electrification, and our networks will play a key role in facilitating these plans.

Leveraging these opportunities for the Group will significantly enhance capital investment and growth, thereby increasing Group profit and EPS. This is the key driver of our five-year financial framework, forecasting a 6-8% CAGR in underlying EPS to 2028/29, from a 2024/25 baseline.

Within this, NGV has the potential to benefit from significant investment opportunities in both the UK and US, including interconnectors and competitive transmission to transport increasing levels of electricity.

In particular, National Grid is a leader in developing electricity interconnector projects to connect Great Britain with other European countries. By enablling cross-border electricity trade, interconnectors can displace fossil fuel generation in favour of renewable energy, reducing the CO_2e intensity of the energy mix, while generating revenue for National Grid. In addition, interconnection to countries like Norway with flexible controllable generation, enables more effective integration of intermittent renewable generation in GB. The UK Government's CP2030 plan assumes c.12 GW of interconnector capacity will be required, up from just under 10 GW today.

Our response

To maximise these opportunities we are evolving our strategy to focus on networks and streamlining our business. In May 2024, we announced our intention to sell Grain LNG, our UK LNG business, and National Grid Renewables, our US onshore renewables business. We plan to invest around £60 billion from April 2024 to March 2029, including an ambitious £51 billion 'Green Capex' ambition[1], making us one of the FTSE's biggest investors in net zero delivery. This will be split broadly evenly across the UK and US Northeast, with around 80% of the investment expected to be in electricity networks over the five years, continuing the Group's shift towards electric, with nearly 80% of Group assets expected to be electric by 2029.

In ET, we submitted a business plan to Ofgem that will deliver the most significant advancement in the UK's transmission network in a generation. In ED, our January ED3 Framework Consultation Open Letter emphasised the need for a transformative approach to electricity distribution networks to achieve the UK's climate targets.

In New England, the Massachusetts Department of Public Utilities approved our Electric Sector Modernization Plan (ESMP) as a 'strategic plan', which outlines around $2 billion in anticipatory investments in the electrical distribution system. In New York, we began upgrading 1,000 miles of grid to help deliver over 4 GW of more resilient, clean and secure energy.

In NGV, we received regulatory approval for the LionLink (1.8 GW) offshore hybrid asset (OHA), marking a major milestone in connecting the national electricity transmission system and offshore wind farms based in Dutch waters.

Through our corporate venture capital arm, National Grid Partners, we capitalise on this transition opportunity, investing in and helping develop 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 2018 founding, National Grid Partners has invested more than $500 million in over 50 startups and strategic funds, with seven successful exits. More than 80% of the startups in the National Grid Partners portfolio are strategically engaged with National Grid business units to help solve today's challenges and create tomorrow's energy systems.

For example, in New York and Wales, we have deployed dynamic line rating (DLR) technology on our transmission lines in collaboration with our portfolio company, LineVision. The technology provides condition-specific line ratings to our transmission control room, allowing us to maximise the power transmitted on our lines without compromising safety.

1. Aligned to principles of EU Taxonomy, directly invested into the decarbonisation of energy networks.

Task Force on Climate-related Financial Disclosures (TCFD) continued

5. Physical Risk

Increased frequency of extreme weather incidents and changing long-term climate trends

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 temperature, 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 (term):

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 capex

Potential impact

Under our US regulatory frameworks and agreements, major storm costs become recoverable in future years once the deferrable criteria are met. This year, we incurred costs due to asset damage and operational interruptions from major storms, totalling £87 million (2023/24: £226 million). More details on our major storm costs can be found on pages 280 - 290 in the 'Other unaudited financial information' section. Allowances for recovering costs from other US weather events are included within the base rates determined at the outset of each rate filing period. In the UK we can recover storm costs over a predetermined threshold through re -opener mechanisms in our price control frameworks, allowing adjustments to allowed revenues to cover unexpected expenses from severe weather events.

At the end of 2023, Niagara Mohawk Power Corporation submitted its Climate Change Resilience Plan (CCRP) to the NYPSC, which assessed the vulnerability of the Company's electric infrastructure to climate-related risks. The plan was approved by the NYPSC in December 2024. 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.

In Massachusetts, the Department of Public Utilities (DPU) has requested businesses to submit climate mitigation and adaptation plans outlining their responses to climate change. In response, our Massachusetts Electricity Distribution business published a CVA in February 2025, which will serve as the foundation for a comprehensive resilience plan.

In 2025, all our business units with UK operations have submitted a climate change adaptation report under DEFRA's Adaptation Reporting Power 4.

Insurance premiums could also increase in order to cover such events.

These incidents are likely to increase in line with the increasing likelihoods illustrated by the IPCC, and associated costs are expected to grow accordingly, unless climate adaptation is appropriately implemented.

Our response

Our Climate Vulnerability Steering Committee and working groups conducted a Group-wide CVA for energy-carrying assets. This programme is leveraging our CCRT 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, outlining solutions for our high-risk assets and confirming the strategic approach to managing those risks.

From October, the new five-year rate case plan for our Massachusetts electric business took effect, which includes an annual increase of $41.6 million in storm cost recovery within base rates, as well as an additional $18 million through the Storm Fund Replenishment Factor.

In the UK, we have commenced a set of innovation projects to understand the impacts of climate change hazards on our asset performance.

As part of our UK ET T3 business plan, we have committed to implementing a new resilience modelling approach and publishing a Climate Adaptation Strategy by 2026.

We continue to invest in climate adaptation across the Group in the form of storm hardening and flood defences, with a further £57 million (2023/24: £30 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/or duration of such events.

Net impact

On balance of the different pathways and even under the worst-case scenarios considered, none of the risks identified threaten the resilience of the Group and we are in a strong position to adapt our portfolio to maximise the opportunities of the energy transition. The momentum behind decarbonisation targets makes growth of electrification certain, even in our most pessimistic scenarios, but there are still a wide range of possibilities for the future. We must influence to reduce uncertainty and build in resilience to weather the risks we cannot control.

04 Metrics and targets

As part of our Responsible Business reporting and disclosures, we track and manage our GHG emissions performance and metrics related to material climate change risks and opportunities.

Our overall climate commitment is to become a net zero business across Scope 1, 2 and 3 GHG emissions by 2050, as established in our CTP. Our near-term targets are based on the latest climate science and aligned with our regions' emissions goals. They are approved by the SBTi as aligned to their 1.5°C pathway and the ambition of the Paris Agreement. We believe our long-term net zero target aligns with the key principles of the SBTi's corporate net zero standard; however, we cannot formally validate this due to the absence of a sector pathway for heat and the power sector guidance not accounting for the necessary infrastructure growth for electricity decarbonisation. Having engaged with the SBTi to discuss these issues, we look forward to supporting the standard's future development and will submit our feedback on the SBTi Corporate Net-Zero Standard Version 2.0 Initial Consultation Draft.

The table on page 77 outlines our GHG emission reduction targets, along with an index of the key quantitative measurement indicators used to manage our climate-related financial risks and opportunities. For further information and insights on our performance in reducing our GHG emission, please refer to page 45. We are clear in our CTP that we did not expect emissions reductions to be a linear trajectory and a significant portion of our emissions are outside of our direct control. This section also expands on how achieving our emission reduction targets is dependent on the development and evolution of policy, regulatory frameworks and planning systems which support the decarbonisation of the wider energy sector.

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 Financial Strategy and Strategic Business Planning cycle includes mechanisms to track business units' plans against our SBTi glidepaths. 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.

All of our GHG emissions are reported on a gross basis. While our focus is on decarbonising our business in line with a 1.5˚C reduction pathway, we do not plan to use carbon offsetting to meet our near-term SBTs. However, we do use limited carbon offsets to help our emission reduction efforts. We follow SBTi guidelines and buy high quality carbon credits to offset GHG emissions we cannot reduce further, as per our internal carbon offsetting policy. We use a mix of nature-based, technological and hybrid offsetting projects, ensuring they are permanent and where possible verified by a third party. In 2024, NGET established a cross-functional carbon compensation steering committee to oversee the purchase of high quality carbon credits to meet our regulatory commitment for construction emissions.

The 2022 Long-Term Performance Plan (LTPP), covering the period ending 31 March 2025, is our first to incorporate emissions and energy transformation metrics. These elements of the 2022 LTPP outturned at 89.5% of maximum, driven by achievement of 100% of maximum for Scope 1 emissions and 79.0% of maximum for enablement of energy transformation, both weighted equally. The Scope 1 emissions outturn at maximum was driven by SF6 emission reductions, vehicle fleet emissions and Grain operation emissions reduction. The strong enablement of energy transformation performance was driven by energy efficiency programmes and distribution connections. The 2023, 2024 and 2025 LTPP awards will be measured over their respective three year performance periods and include a 20% weighting on energy transformation measures that includes the reduction of Scope 1 emissions and strategic initiative on energy transformation enablement. For further details on our LTPP awards, please refer to the Directors' Remuneration Report on pages 121 to 149.

In addition to metrics laid out in the following page, we have disclosed the proportion of IFRS revenue, operating expenditure and capital expenditure that align with the principles of the climate change mitigation and adaptation objectives of the EU Taxonomy. Given the climate change mitigation objective's alignment to the principles of the Paris Agreement, the disclosures provide a transparent view of the Group's compatibility with the net zero goals of the jurisdictions we served during the year ended 31 March 2025. For further details see our EU Taxonomy report and Responsible Business data tables on our website.

A significant proportion of our Scope 1 GHG emissions are subject to a traded market carbon price or non-traded cost of carbon through our regulatory price controls. In the UK, Scope 1 GHG emissions at Grain LNG terminal are subject to the UK Emissions Trading Scheme and in the US GHG emissions from our Long Island Power Generation plant are subject to the Regional Greenhouse Gas Initiative. We have a regulatory incentive to reduce SF_6 leaks from our electric equipment, a key component of our Scope 1 GHG emissions in the UK, that utilise a non-traded cost of carbon as part of the incentive calculation.

While we have found the practice useful in terms of increasing our understanding of the carbon impact of the decisions we make, it has not had a significant impact on decision-making to date. Carbon pricing is only one of the tools that we are using to reduce the carbon impact of our business' investment decisions, alongside policy drivers, commitments and carbon reduction methodologies such as the use of a carbon weighting in the competitive tender process 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) continued

Our 2024/25 GHG emissions footprint across direct and indirect sources was 35,857 ktCO_2e

Scope 1 GHG emissions are direct emissions from sources owned by National Grid. Scope 2 and 3 GHG emissions are indirect and result from National grid activities from sources we do not own or control.

Upstream Scope 3

Supply chain and other upstream emissions

6,964kt

19% of total footprint

- Construction and maintenance of energy infrastructure
- Equipment and components
- Well-to-tank emissions for generation and transportation of electricity

UK US

Scope 1 and 2

Power generation

3,295kt

9% of total footprint

- Electricity generation from fossil fuels

US

Operations

3,813kt

11% of total footprint

- Line losses from our electricity transmission and distribution networks
- SF_6 leaks from electrical equipment
- LNG venting and fuel
- Leaks and venting from our gas network

UK US

Administration

314kt

0.8% of total footprint

- Building energy consumption
- Company cars

UK US

Downstream Scope 3

Administration

84kt

0.2% of total footprint

- Business travel
- Employee commuting
- Waste

UK US

Retail Energy

21,387kt

60% of total footprint

- Emissions from the electricity and gas that we sell to our customers

US

Index of climate-related quantitative measurement indicators[1]

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 44-47 for further details.

	2024/25	2023/24	2022/23
SBTi validated GHG emissions reduction targets			
Reduce absolute Scope 1 and 2 GHG emissions by 60% by 2030[2,3]	**(4.4)%**	(11.8)%	
Reduce absolute Scope 1 and 2 GHG emissions excluding generation by 50% by 2030[2,3]	**(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]	**(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]	**(18.3)%**	(15.4)%	
Reduce absolute GHG emissions for all Scope 3, excluding sold electricity, by 37.5% by 2033[4]	**5.8 %**	0.8%	
Reduce absolute GHG emissions from gas sold by third-parties by 37.5% by 2033[4,5]	**(10.5)%**	(17.6)%	
Key climate-related metrics			
Scope 1 GHG emissions ($ktCO_2e$)	**4,467**	3,988	4,408
Scope 2 GHG emissions ($ktCO_2e$, location based)	**2,955**	2,864	2,876
Total Scope 1 and 2 GHG emissions[2] ($ktCO_2e$)	**7,422**	6,852	7,284
Scope 3 GHG emissions ($ktCO_2e$)	**28,435**	27,384	27,867
Total Scope 1, 2 and 3 GHG emissions[2] (full value chain) ($ktCO_2e$)	**35,857**	34,236	35,151
Intensity ratio: Scope 1 and 2 GHG emissions per million of revenue[2] (tCO_2e/£m)	**427**	345	337
Climate change adaptation capex (EU Taxonomy aligned activities, £m)	**57**	30	31
Climate change mitigation capex (EU Taxonomy aligned activities, £m)	**7,610**	5,962	5,526
Group energy consumption from fossil fuel generation (GWh)	**17,390**	14,375	15,892
Group energy consumption from electricity systems line losses (GWh)	**15,514**	14,519	15,746
Group energy consumption excluding fossil fuel generation and electricity systems line losses (GWh)	**1,916**	2,547	2,835
Total Group energy consumption (GWh)	**34,820**	31,441	34,473
UK energy consumption from electricity systems line losses (GWh)	**10,413**	10,046	10,392
UK energy consumption excluding electricity systems losses (GWh)	**790**	1,297	1,770
Total UK energy consumption (GWh)	**11,203**	11,343	12,162
UK Scope 1 GHG emissions ($ktCO_2e$)	**278**	377	398
UK Scope 2 GHG emissions[2] ($ktCO_2e$)	**2,137**	2,113	2,094
Total UK Scope 1 and 2 GHG emissions[2] ($ktCO_2e$)	**2,415**	2,490	2,492

2024/25 data externally assured by Deloitte.

2023/24 data externally assured by PwC.

1. Refer to our Responsible Business Reporting 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 outlines the application of the operational control principle from the GHG Protocol across all emissions and environmental metrics. Newly sold or disposed operations will be excluded from our reporting starting from the year they exit the Group. Consequently, National Grid ESO is excluded from our reported GHG emissions boundary. Please refer to note 1. Basis of preparation and recent accounting developments, part D 'Disposal of the UK Electricity System Operator (ESO)' within our notes to the consolidated financial statements for details of our ESO related accounting policies and judgements.
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 45 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.

Non-financial and sustainability information statement

This page contains disclosures in compliance with sections 414CA and 414CB of the Companies Act 2006.

The information listed below is incorporated by cross-reference.

Environmental matters	44 – 47 59 – 77
Our employees	18 – 21 51 – 54 106 – 107
Social matters	48 – 50
Human rights	56 277
Anti-corruption and anti-bribery	56 - 57

In addition, other information describing the business relationships, products and services which are likely to cause adverse impacts in relation to the matters above can be found as follows:

Business model	8 – 10
KPIs	18 – 21
Our stakeholders	22 – 24
People & Governance Committee report	110 – 111
TCFD	59 – 77
Risks	34 – 41

Further reading	Environment	Social matters and employees	Anti-corruption and bribery	Human rights
Our policies and due diligence	11 – 17 and 36	11 – 17 and 37	56 - 57	56
Outcomes	18 – 21 and 25 – 33	18 – 21 and 25 – 33		

	CA 2006 requirement	TCFD recommendation
Governance	Section 414CB (2A)(a)	a) Describe the Board's oversight of climate-related risks and opportunities: pages 60 – 61
Governance	Section 414CB (2A)(a)	b) Describe management's role in assessing and managing climate-related risks and opportunities: pages 61 – 62
Risk Management	Section 414CB (2A)(b)	a) We describe the organisation's processes for identifying and assessing climate-related risks: page 69
Risk Management	Section 414CB (2A)(b)	b) We describe the organisation's processes for managing climate related risks: page 69
Risk Management	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: pages 69 – 74

	CA 2006 requirement	TCFD recommendation
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 70 – 74
Strategy	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 70 – 74
Strategy	Section 414CB (2A)(f)	c) We describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario: pages 63 – 68
Metrics & 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: page 75
Metrics & Targets	N/A	b) Our Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions and the related risks: pages 45, 75 – 77
Metrics & Targets	Section 414CB (2A)(g)	c) Our targets used to manage climate-related risks and opportunities and performance against targets: pages 75 and 77

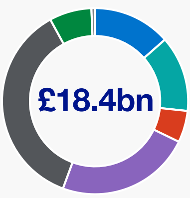
Financial review

A year of strong and consistent performance

Revenue

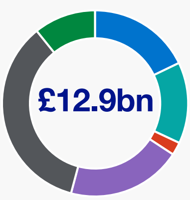
The vast majority of our revenues are set in accordance with our regulatory agreements (see pages 256 – 261) and are calculated based on a number of factors, including investment in network assets, performance on incentives, allowed returns on equity and cost of debt, and customer satisfaction.

Statutory revenue (%)



UK Electricity Transmission (UK ET)	14%
UK Electricity Distribution (UK ED)	13%
UK Electricity System Operator (ESO)	6%
New England	23%
New York	36%
National Grid Ventures (NGV)	7%
Other activities	1%

Underlying net revenue[1] (%)



UK Electricity Transmission (UK ET)	18%
UK Electricity Distribution (UK ED)	14%
UK Electricity System Operator (ESO)	2%
New England	20%
New York	35%
National Grid Ventures (NGV)	11%
Other activities	– %

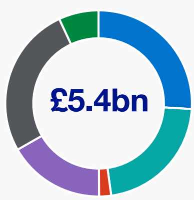
Profit and cash flows

Our ability to convert revenue to profit and cash is important. By managing our operations efficiently, safely and for the long term, we generate substantial operating cash flows. Coupled with long-term debt financing, as well as additional capital generated through the Rights Issue and take-up of the shareholder scrip dividend option during periods of higher investment, we are able to invest in growing our asset base and fund our dividends.

Statutory operating profit (%)

UK Electricity Transmission (UK ET)	26%
UK Electricity Distribution (UK ED)	32%
UK Electricity System Operator (ESO)	(4)%
New England	20%
New York	26%
National Grid Ventures (NGV)	–%
Other activities	–%

Underlying operating profit[1] (%)



UK Electricity Transmission (UK ET)	27%
UK Electricity Distribution (UK ED)	22%
UK Electricity System Operator (ESO)	2%
New England	17%
New York	27%
National Grid Ventures (NGV)	7%
Other activities	(2)%

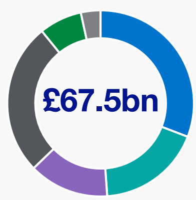
Investment

We invest efficiently in our networks to achieve strong and sustainable growth in our regulated asset base over the long term. We also invest in assets in our non-regulated businesses. We continually assess, monitor and challenge investment decisions so we can continue to run safe, reliable and cost-effective networks.

Capital investment (%)

UK Electricity Transmission (UK ET)	30%
UK Electricity Distribution (UK ED)	14%
UK Electricity System Operator (ESO)	–%
New England	18%
New York	33%
National Grid Ventures (NGV)	4%
Other activities	1%

Total assets (used for asset growth) (%)



UK Electricity Transmission (UK ET)	31%
UK Electricity Distribution (UK ED)	18%
UK Electricity System Operator (ESO)	–%
New England	14%
New York	27%
National Grid Ventures (NGV)	7%
Other activities	3%

1. Non-GAAP alternative performance measures (APMs). For further details and reconciliation to equivalent GAAP measures see 'Other unaudited financial information' on pages 279 – 294.

Financial review continued

Summary of Group financial performance for the year ended 31 March 2025

Statotory EPS[1]

60.0p

Underlying EPS[1]

73.3p

Group RoE[2]

9.0%

Asset growth

9.0%

1. From continuing operations. Comparative amounts have been restated to reflect the impact of the bonus element of the Rights Issue
2. Group RoE calculation methodology updated in 2024/25 (see page 295 for further details). Comparative amounts have been restated accordingly.

Financial summary for continuing operations

£m	2024/25	2023/24	Change
Accounting profit			
Gross revenue	**18,378**	19,850	(7%)
Other operating income	**–**	12	(100%)
Operating costs	**(13,444)**	(15,387)	13%
Statutory operating profit	**4,934**	4,475	10%
Net finance costs	**(1,357)**	(1,464)	7%
Share of joint ventures and associates	**73**	37	97%
Tax	**(821)**	(831)	1%
Non-controlling interest	**(3)**	(1)	(200%)
Statutory earnings	**2,826**	2,216	28%
Exceptional items and remeasurements	**(171)**	1,036	n/m
Tax on exceptional items and remeasurements	**(40)**	(152)	74%
Adjusted earnings	**2,615**	3,100	(16%)
Timing and major storm costs[1]	**592**	(689)	n/m
Tax on timing and major storm costs[1]	**(156)**	166	n/m
Deferred tax on underlying profits in NGET and NGED[1]	**401**	302	33%
Underlying earnings[1]	**3,452**	2,879	20%
Statutory EPS[2]	**60.0p**	55.5p	8%
Adjusted EPS[2]	**55.6p**	77.7p	(28%)
Underlying EPS[1,2]	**73.3p**	72.1p	2%
Dividend per share 'rebased'[1,3]	**46.72p**	45.26p	3%
Dividend cover – underlying[1]	**1.6x**	1.2x	27%
Economic profit			
Group financial performance after interest and tax (Group RoE numerator)[1]	**2,602**	2,336	11%
Group RoE[1,4]	**9.0%**	10.5%	-150bps
Capital investment and asset growth			
Capital investment	**9,847**	8,235	20%
Regulated asset growth[1]	**10.5%**	9.1%	140bps
Asset growth[1]	**9.0%**	9.7%	-70bps
Balance sheet strength			
RCF/adjusted net debt (Moody's)[1]	**9.8%**	9.2%	60bps
Net debt (note 29 to the financial statements)	**41,371**	43,607	(5%)
Add: held for sale net debt	**(55)**	(23)	n/m
Net debt (including held for sale)[1]	**41,316**	43,584	(5%)
Group regulatory gearing[1]	**61%**	69%	-800bps

1. Non-GAAP alternative performance measures (APMs) and/or regulatory performance measures (RPMs). For further details see 'Other unaudited financial information' on pages 279 – 294.
2. Comparative amounts have been restated to reflect the impact of the bonus element of the Rights Issue
3. Dividend per share (rebased) calculated by dividing the total dividend paid by the total number of shares in issue following the Rights Issue. The actual dividend per share paid to shareholders in respect of 2023/24 profits was 58.52p (an interim dividend per share of 19.40p and a final dividend per share of 39.12p).
4. Our calculation methodology for Group RoE changed in 2024/25. Comparative amounts have been restated accordingly. See page 291 for details.

Performance management framework

In managing the business, we focus on various non-IFRS alternative performance measures (APMs) and regulatory performance measures (RPMs) which provide meaningful comparisons of performance between years, monitor the strength of the Group's balance sheet and ensure profitability reflects the Group's regulatory economic arrangements. Such APMs and RPMs are supplementary to, and should not be regarded as a substitute for, IFRS measures, which we refer to as statutory results.

Our business performance as set out in our regulatory agreements can differ from accounting under IFRS, principally because our regulators allow for regulatory deferral accounting. Our allowed revenues are set in accordance with our regulatory price controls or rate plans. Statutory IFRS does not allow us to recognise regulatory assets or liabilities (for the difference between collected and allowed regulatory revenues). As a result we use a suite of APMs (defined by us) to help measure and monitor our underlying regulated business performance.

We explain the basis of these measures and, where practicable, reconcile these to statutory IFRS results (i.e. GAAP) in Other unaudited financial information on pages 279 – 294. Our RPMs have been calculated for the total Group (or individual entities where relevant) and these are not based on IFRS measures.

Specifically, we measure the financial performance of the Group from different perspectives:

- **Accounting profit:** In addition to statutory IFRS measures we report adjusted results (i.e. before exceptional items and remeasurements), and underlying results, which further take account of: (i) volumetric and other revenue timing differences arising from our regulatory contracts; (ii) major storm costs (net of in-year allowances and deductibles) which are recoverable in future periods when they exceed a $100 million threshold; and (iii) deferred tax in our UK regulated businesses (NGET and NGED). In doing so, we intend to make the impact of such items clear to users of the financial information in this Annual Report.
- **Economic profit:** Group Return on Equity (RoE) takes account of the regulated value of our assets and of our regulatory economic arrangements to show the returns on shareholder equity.
- **Capital investment and asset growth:** Capital investment comprises our additions to PP&E and intangible assets (excluding acquisitions), equity investments in joint ventures and associates, along with net movements in capex prepayments. Asset growth represents the year-on-year increase in RAV and US rate base in our regulated businesses (referred to as 'regulated asset growth'), plus the increase in net assets (excluding certain balances such as pensions, net debt and deferred taxes) in our non-regulated businesses, but excluding the impact of currency movements.
- **Balance sheet strength:** Maintaining a strong investment grade credit rating allows us to finance our growth ambitions at a competitive rate. Hence, we monitor credit metrics used by the major rating agencies to ensure we are generating sufficient cash flow to service our debts. Group regulatory gearing measures our Group net debt as a proportion of the Group's assets that are used to measure asset growth. This includes balances for businesses classified as held for sale under IFRS.

This balanced range of measures of financial wellbeing informs our dividend policy which, after the rebasing of the 2023/24 dividend per share (DPS) following the Rights Issue, aims to grow annual DPS in line with UK CPIH, thus maintaining the DPS in real terms.

Financial summary for continuing operations

Accounting profit: Statutory IFRS earnings were £2,826 million in 2024/25, £610 million (28%) higher than the prior year. Statutory earnings benefited from pre-tax net exceptional credits of £42 million and pre-tax remeasurement gains of £129 million (2024: pre-tax net exceptional charges of £1,011 million and pre-tax remeasurement losses of £25 million). For details on exceptional items refer to note 5 to the financial statements. Timing swings were £1,420 million adverse year-on-year, with a £505 million net under-recovery in 2024/25 (2024: £915 million net over-recovery), partly offset by £139 million lower major storms. These factors, the net impact of tax on these items and an improvement in underlying business performance meant that statutory EPS for continuing operations of 60.0p was 4.5p higher than the prior year.

Our 'adjusted' results exclude the impacts from exceptional items and remeasurements as explained on page 86. In 2024/25, adjusted earnings from continuing operations were £2,615 million, down £485 million (16%) from the prior year. Adjusted earnings in 2024/25 included a timing net under-recovery after tax of £372 million (2024: £688 million net over-recovery) and major storm costs (after tax) which are excluded from underlying results, of £64 million (2024: £165 million). As a result, adjusted operating profit of £4,765 million was down £697 million (2024: £5,462 million). Adjusted net finance costs of £1,361 million were £118 million lower, benefiting from the Rights Issue proceeds received in June 2024. Share of profits from joint ventures and associates of £75 million were down £26 million due to higher interconnector profits in the prior year. Adjusted tax of £861 million was £122 million lower, driven by lower profits, including in our UK Electricity System Operator business.

Underlying operating profit was up 12% driven by improved performance in: New York (KEDNY and KEDLI and NIMO rate increases and lower environmental costs), New England (higher rates and capital tracker revenues) along with higher allowed revenues in UK Electricity Transmission and UK Electricity Distribution. National Grid Ventures was down from 2023/24, driven by lower revenues on our legacy interconnector fleet, partly offset by a full year of our new Viking interconnector. Other activities were lower principally as a result of fair value movements in NG Partners. Our joint ventures and associates' contribution reduced primarily due to lower auction revenues in BritNed compared with 2023/24. Regulated controllable costs were only 1% higher, with inflation and workload increases being mostly offset by efficiency savings. Depreciation and amortisation were higher than the prior year due to our growing asset base. Net financing costs were lower, benefiting from the Rights Issue proceeds in June 2024. Other interest was favourable year on year driven by higher capitalised interest. Underlying profit after tax increased by 20% and resulted in a 2% increase in underlying EPS to 73.3p.

Economic profit: Our Group RoE for 2024/25 was 9.0%, 150bps lower than the 10.5% achieved in the prior year, impacted by lower gearing (as a result of the Rights Issue) which along with ongoing asset growth has increased the metric denominator.

Capital investment and asset growth: Capital investment of £9,847 million was £1,612 million (20%) higher than 2023/24, driven by increased ASTI and customer connections investment in UK Electricity Transmission, increased capital expenditure in New York, New England and UK Electricity Distribution, partly offset by lower investment in National Grid Ventures. Higher capital investment is partly offset by reduced year-on-year RAV indexation from lower inflation resulting in asset growth of 9.0% (2024: 9.7%).

Balance sheet strength: Net debt decreased from £43.6 billion at March 2024 to £41.4 billion at March 2025, primarily due to the £6.8 billion Rights Issue net proceeds which helped to fund £9.6 billion of investing cash outflows. Regulatory gearing was consequently lower at 61% (2024: 69%) and our calculation of Moody's RCF/adjusted net debt credit metric was 9.8%, an improvement of 60bps compared with 2023/24 and remains above the current rating threshold of 7.0%.

Dividend

The recommended full-year dividend per share of 46.72p is in line with our policy of increasing the prior year dividend (after rebasing this following the Rights Issue) in line with UK CPIH inflation and is covered 1.6 times by underlying EPS.

Financial review continued

Profitability and earnings

In calculating adjusted profit measures, where we consider it is in the interests of users of the financial statements to do so we exclude certain discrete items of income or expense that we consider to be exceptional in nature. The table below reconciles our statutory profit measures for continuing operations, at actual exchange rates, to adjusted and underlying versions. Further information on exceptional items and remeasurements is provided in notes 2, 5 and 6 to the financial statements.

Reconciliation of profit and earnings from continuing operations

	Operating profit			Profit after tax			Earnings per share		
£m	2024/25	2023/24	Change	2024/25	2023/24	Change	2024/25	2023/24	Change
Statutory results	**4,934**	4,475	10%	**2,829**	2,217	28%	**60.0p**	55.5p	8%
Exceptional items	**(42)**	1,011	n/m	**(118)**	852	n/m	**(2.4p)**	21.4p	n/m
Remeasurements	**(127)**	(24)	n/m	**(93)**	32	n/m	**(2.0p)**	0.8p	n/m
Adjusted results	**4,765**	5,462	(13%)	**2,618**	3,101	(16%)	**55.6p**	77.7p	(28%)
Timing	**505**	(915)	n/m	**372**	(688)	n/m	**7.9p**	(18.2p)	n/m
Major storm costs	**87**	226	(62%)	**64**	165	(61%)	**1.3p**	4.4p	(70%)
Deferred tax in NGET and NGED	**–**	–	–%	**401**	302	33%	**8.5p**	8.2p	4%
Underlying results	**5,357**	4,773	12%	**3,455**	2,880	20%	**73.3p**	72.1p	2%

Timing over/(under)-recoveries

In calculating underlying profit, we exclude regulatory revenue timing over- and under-recoveries, major storm costs (defined below) and deferred tax on underlying results of our UK regulated business (NGET and NGED), also defined below. Under the Group's regulatory frameworks, most of the revenues we are allowed to collect each year are governed by regulatory price controls in the UK and rate plans in the US. If more than this allowed level of revenue is collected, an adjustment will be made to future prices to reflect this over-recovery; likewise, if less than this level of revenue is collected, an adjustment will be made to future prices in respect of the under-recovery. These variances between allowed and collected revenues and timing of revenue collections for pass-through costs give rise to 'timing' over- and under-recoveries.

The following table summarises management's estimates of such amounts for the two years ended 31 March 2025 and 31 March 2024 for continuing operations. All amounts are shown on a pre-tax basis and, where appropriate, opening balances are restated for exchange adjustments and to correspond with subsequent regulatory filings and calculations, and are translated at the 2024/25 average exchange rate of $1.266:£1.

£m	2024/25	2023/24[1]
Balance at start of year (restated)	**1,029**	39
UK Electricity Transmission	**(151)**	363
UK Electricity Distribution	**407**	(159)
UK Electricity System Operator	**(479)**	800
New England	**61**	(69)
New York	**(343)**	(20)
In-year (under)/over-recovery (continuing)	**(505)**	915
Disposal of UK Electricity System Operator	**(462)**	–
Balance at end of year	**62**	954

1. March 2024 balances restated to correspond with 2023/24 regulatory filings and calculations.

In 2024/25, we experienced timing under-recoveries of £151 million in UK Electricity Transmission, over-recoveries of £407 million in UK Electricity Distribution and the return of prior period over-recoveries of £479 million in UK Electricity System Operator (up to 1 October 2024, the disposal date of that business). During 2023/24, BSUoS collected revenues in UK Electricity System Operator were significantly more than system balancing costs, resulting in a £800 million over-recovery in that year. In our US regulated businesses we experienced over-recoveries of £61 million in New England, and under-recoveries of £343 million in New York. In calculating the post-tax effect of these timing recoveries, we impute a tax rate based on the regional marginal tax rates, consistent with the relative mix of UK and US balances.

Major storm costs (US)

We exclude the impact of major storm costs in the US where the aggregate amount is sufficiently material in any given year. Such costs (net of in-year allowances and deductibles) are recoverable under our rate plans but are expensed as incurred under IFRS. Accordingly, where the aggregate total US major storm costs incurred (net of in-year allowances and deductibles) exceeds $100 million in any given year, we exclude the net costs from underlying earnings. In 2024/25, we incurred deferrable storm costs, which are eligible for future recovery of $110 million (2024: $285 million).

Deferred tax in UK regulated businesses

We exclude deferred tax in our UK regulated businesses (NGET and NGED) in our underlying earnings measure. Tax is generally considered to be a pass-through cost by our UK regulator, with revenue tax allowances linked to the level of cash tax expected to be paid in the year. The UK Government allows 'full expensing' tax relief for qualifying capital expenditure to encourage greater levels of investment from businesses. This results in these businesses paying lower levels of cash tax. IFRS requires us to recognise a total tax charge on current year profits, including deferred tax that will be paid in future periods. To represent underlying profitability more closely aligned to our regulatory agreements we report underlying earnings and underlying EPS excluding the impact of deferred tax in our UK regulated businesses (NGET and NGED).

In 2024/25, we excluded £401 million (2024: £302 million) of deferred tax charges from our underlying results.

Segmental operating profit

The tables below set out operating profit on statutory, adjusted, and underlying bases.

Statutory operating profit

£m	2024/25	2023/24	Change
UK Electricity Transmission	**1,277**	1,674	(24%)
UK Electricity Distribution	**1,598**	975	64%
UK Electricity System Operator	**(213)**	382	(156%)
New England	**1,008**	641	57%
New York	**1,269**	362	251%
National Grid Ventures	**5**	558	(99%)
Other activities	**(10)**	(117)	91%
Continuing operations	**4,934**	4,475	10%
Discontinued	**–**	–	–%
Total	**4,934**	4,475	10%

The notation 'n/m' is used throughout this section where the year-on-year percentage change is deemed to be 'not meaningful'.

Statutory operating profit increased in the year, primarily as a result of the non-recurrence of exceptional net charges of £1,011 million in 2023/24 compared with exceptional net gains of £42 million in 2024/25. For details on exceptional items refer to note 5 to the financial statements. This was partly offset by £1,420 million adverse year-on-year movements in timing net over-recoveries, £154 million favourable year-on-year movements in commodity derivative remeasurements, improved underlying performance in UK Electricity Transmission, New York and New England, partially offset by a shorter period of ownership of UK Electricity System Operator, along with lower profits in National Grid Ventures and 'Other activities' than 2023/24.

Adjusted operating profit

£m	2024/25	2023/24	Change
UK Electricity Transmission	**1,277**	1,677	(24%)
UK Electricity Distribution	**1,610**	993	62%
UK Electricity System Operator	**(364)**	880	(141%)
New England	**982**	643	53%
New York	**1,023**	860	19%
National Grid Ventures	**380**	469	(19%)
Other activities	**(143)**	(60)	(138%)
Continuing operations	**4,765**	5,462	(13%)

Underlying operating profit (a non-GAAP measure)

£m	2024/25	2023/24	Change
UK Electricity Transmission	**1,428**	1,314	9%
UK Electricity Distribution	**1,203**	1,152	4%
UK Electricity System Operator	**115**	80	44%
New England	**924**	802	15%
New York	**1,450**	1,016	43%
National Grid Ventures	**380**	469	(19%)
Other activities	**(143)**	(60)	(138%)
Continuing operations	**5,357**	4,773	12%

The reasons for the movements in underlying operating profit are described in the segmental commentaries below. Unless otherwise stated, the discussion of performance in the remainder of this Financial review focuses on underlying results.

UK Electricity Transmission

£m	2024/25	2023/24	Change
Revenue	**2,619**	2,735	(4%)
Operating costs	**(1,342)**	(1,061)	(26%)
Statutory operating profit	**1,277**	1,674	(24%)
Exceptional items	**–**	3	(100%)
Adjusted operating profit	**1,277**	1,677	(24%)
Timing	**151**	(363)	n/m
Underlying operating profit	**1,428**	1,314	9%
Analysed as follows:			
Net revenue	**2,164**	2,510	(14%)
Regulated controllable costs	**(238)**	(248)	4%
Post-retirement benefits	**(55)**	(38)	(45%)
Other operating costs	**(54)**	(26)	(108%)
Depreciation and amortisation	**(540)**	(521)	(4%)
Adjusted operating profit	**1,277**	1,677	(24%)
Timing	**151**	(363)	n/m
Underlying operating profit	**1,428**	1,314	9%

UK Electricity Transmission statutory operating profit was £397 million lower in the year. Timing under-recoveries were £151 million in 2024/25 compared with £363 million over-recoveries in 2023/24. This year-on-year swing is mainly the return of prior period balances (primarily tax allowances), a lower inflation true-up and a lower in-year recovery on volumes and pass-through costs than 2023/24. In the prior year, there were £2 million of exceptional costs related to our cost-efficiency programme and integration costs of £1 million.

UK Electricity Transmission underlying operating profit increased by 9%. Underlying net revenues were £168 million (9%) higher principally from higher totex allowances (including fast money on ASTI spend) and inflationary increases and the non-repeat of the beneficial tax allowance true-up in 2023/24.

Regulated controllable costs including pensions were £7 million (3%) higher from the impact of inflationary and workload increases mostly offset by efficiency savings. Other costs were higher, mainly relating to increased provision for project delivery risk and increased network innovation allowance costs.

The higher depreciation and amortisation principally reflects a higher asset base as a result of continued investment.

UK Electricity Distribution

£m	2024/25	2023/24	Change
Revenue	**2,424**	1,795	35%
Operating costs	**(826)**	(820)	(1%)
Statutory operating profit	**1,598**	975	64%
Exceptional items	**12**	18	(33%)
Adjusted operating profit	**1,610**	993	62%
Timing	**(407)**	159	n/m
Underlying operating profit	**1,203**	1,152	4%
Analysed as follows:			
Net revenue	**2,239**	1,562	43%
Regulated controllable costs	**(281)**	(270)	(4%)
Post-retirement benefits	**(21)**	(20)	(5%)
Other operating costs	**(78)**	(56)	(39%)
Depreciation and amortisation	**(249)**	(223)	(12%)
Adjusted operating profit	**1,610**	993	62%
Timing	**(407)**	159	n/m
Underlying operating profit	**1,203**	1,152	4%

UK Electricity Distribution statutory operating profit was £623 million higher in the year, reflecting the impact of £566 million favourable year-on-year timing movements. Timing over-recoveries of £407 million in 2024/25 were mainly due to inflation true-ups and the recovery of prior period balances. This compares with a timing under-recovery of £159 million in the prior year.

In 2024/25 there were £12 million of exceptional costs related to our major transformation programme compared with £18 million of exceptional integration costs in 2023/24.

UK Electricity Distribution underlying operating profit increased by £51 million (4%). Underlying net revenues were £111 million higher than the prior year due to the impact of higher inflation and higher engineering recharges and incentive revenues.

Regulated controllable costs including pensions were £12 million (4%) higher than the prior year from the impact of workload increases, combined with investment in capability build and inflationary increases, partly offset by efficiencies achieved. Other costs were £22 million higher as a result of the disruption from Storm Darragh (categorised as a 1 in 20 years storm event) and increased engineering recharges.

Depreciation and amortisation increased compared with the prior year due to the increasing asset base.

Financial review continued

UK Electricity System Operator

£m	2024/25	2023/24	Change
Revenue	1,029	3,788	(73%)
Operating costs	(1,242)	(3,406)	64%
Statutory operating (loss)/profit	**(213)**	382	(156%)
Exceptional items	(151)	498	n/m
Adjusted operating (loss)/profit	**(364)**	880	(141%)
Timing	479	(800)	n/m
Underlying operating profit	**115**	80	44%
Analysed as follows:			
Net revenue	(188)	1,183	(116%)
Controllable costs	(159)	(212)	25%
Post-retirement benefits	(10)	(21)	52%
Other operating costs	(7)	(9)	22%
Depreciation and amortisation	–	(61)	100%
Adjusted operating (loss)/profit	**(364)**	880	(141%)
Timing	479	(800)	n/m
Underlying operating profit	**115**	80	44%

UK Electricity System Operator was purchased by the UK Government on 1 October 2024 and had been classified as 'held for sale' since October 2023. Based on the scale and pass-through nature of the UK Electricity System Operator, it was not considered to be a separate major line of business and hence, did not meet the definition of a discontinued operation under IFRS 5. The year-on-year performance is driven by two significant factors: (i) a net £800 million over-collection of revenues during 2023/24 (and the consequential partial return of these over-recovered balances during 2024/25); and (ii) a shorter ownership period, with only six months' contribution in 2024/25.

UK Electricity System Operator statutory operating profit decreased by £595 million in the year as a result of adverse year-on-year timing swings (net of provisions for regulatory liabilities recognised under IFRS). In 2023/24 a £498 million exceptional provision was made for the return of the estimated remaining balance of over-collected revenues at the expected date of disposal (at that time, expected to be June 2024). This provision was partially reversed in 2024/25 generating an exceptional credit of £151 million in the current year. Under IFRS a regulatory liability is not usually recognised on balance sheet for the return of such over-recoveries, however due to the intended disposal of this business during 2024/25, a liability was recognised given these amounts were expected to be settled through the planned sale process as opposed to reduced future revenues. The remaining £347 million exceptional provision at the disposal date was reflected in the reported gain on disposal of this business.

During 2024/25, UK Electricity System Operator had a timing under-recovery of £479 million arising from the return of prior period balances (2024: £800 million net over-recovery). The 2023/24 over-recovery was the result of higher revenues collected through the BSUoS fixed price charges compared with total system balancing costs incurred during that year. At the disposal date, the impact of the residual net over-recovered position was assessed when calculating the overall net disposal proceeds.

UK Electricity System Operator underlying operating profit increased by £35 million. Underlying net revenue was £92 million lower, partly offset by lower costs mainly driven by the shorter ownership period in 2024/25. Depreciation and amortisation was £61 million lower, representing depreciation being charged for only the first seven months of the prior year, prior to classification as 'held for sale'.

New England

£m	2024/25	2023/24	Change
Revenue	4,306	3,948	9 %
Operating costs	(3,298)	(3,307)	– %
Statutory operating profit	**1,008**	641	57%
Exceptional items	3	17	n/m
Remeasurements	(29)	(15)	n/m
Adjusted operating profit	**982**	643	53%
Timing	(61)	69	n/m
Major storm costs	3	90	(97%)
Underlying operating profit	**924**	802	15%
Analysed as follows:			
Net revenue	2,648	2,295	15%
Regulated controllable costs	(706)	(701)	(1%)
Post-retirement benefits	(21)	(7)	(200%)
Bad debt expense	(62)	(79)	22%
Other operating costs	(408)	(445)	8%
Depreciation and amortisation	(469)	(420)	(12%)
Adjusted operating profit	**982**	643	53%
Timing	(61)	69	n/m
Major storm costs	3	90	(97%)
Underlying operating profit	**924**	802	15%

New England's statutory operating profit increased by £367 million, principally as a result of improved underlying operating profit and lower major storm costs, along with the impact of £130 million favourable year-on-year timing movements. Timing over-recoveries of £61 million in 2024/25 are mainly due to phasing of energy efficiency programme spend and the collection of previous under-recovery of commodity costs. This compares with a timing under-recovery of £69 million in the prior year. Exceptional items included £7 million of charges related to our major transformation programme and a £4 million gain related to environmental provision movements. In 2023/24, there were £11 million of exceptional items related to the disposal of the Narragansett Electric Company and £6 million related to our cost efficiency programme. Commodity remeasurements were £14 million favourable to the prior year.

New England's underlying operating profit increased by £122 million (15%) or £124 million (16%) on a constant currency basis. Underlying net revenue was £223 million higher driven by the benefits of rate case increases in Massachusetts Gas and Massachusetts Electric, higher capital tracker revenue and higher wholesale network revenues. New England controllable costs increased by £5 million as a result of additional workload and inflation, which were largely offset by efficiency savings. Bad debt expense decreased by £17 million as a result of higher accounts receivable cash recoveries. Depreciation and amortisation increased as a result of higher investment. Other costs (on an underlying basis) were higher due to higher investment-related expenses and higher property taxes, both driven by the growth in asset base.

New York

£m	2024/25	2023/24	Change
Revenue	**6,689**	6,094	10%
Operating costs	**(5,420)**	(5,732)	5%
Statutory operating profit	**1,269**	362	251%
Exceptional items	**(133)**	506	n/m
Remeasurements	**(113)**	(8)	n/m
Adjusted operating profit	**1,023**	860	19%
Timing	**343**	20	n/m
Major storm costs	**84**	136	(38%)
Underlying operating profit	**1,450**	1,016	43%
Analysed as follows:			
Net revenue	**4,202**	4,037	4%
Regulated controllable costs	**(1,049)**	(1,057)	1%
Post-retirement benefits	**(33)**	(21)	n/m
Bad debt expense	**(141)**	(96)	(47%)
Other operating costs	**(1,225)**	(1,345)	9%
Depreciation and amortisation	**(731)**	(658)	(11%)
Adjusted operating profit	**1,023**	860	19%
Timing	**343**	20	n/m
Major storm costs	**84**	136	(38%)
Underlying operating profit	**1,450**	1,016	43%

New York statutory operating profit increased by £907 million, principally as a result of £434 million higher underlying operating profit, £52 million lower major storms costs, £105 million higher commodity remeasurements gains and £639 million lower exceptional charges. Exceptional items included £9 million of charges related to our major transformation programme and a £142 million credit related to environmental provision movements (2024: £496 million cost). In 2023/24 we incurred £10 million of exceptional charges as part of our cost efficiency programme. These factors were partly offset by timing under-recoveries of £343 million in 2024/25 compared with timing under-recoveries of £20 million in 2023/24. The change in timing was primarily driven by lower auction sale prices on transmission wheeling, the return of prior period transmission wheeling over-collections, greater commodity under-recovery due to weather-driven gas bill volumes and KEDNY and KEDLI rates levelisation relating to new rates in 2024/25. These were partly offset by an over-recovery of energy efficiency programme costs in 2024/25.

New York underlying operating profit increased by £434 million (43%), driven by higher net underlying revenues which increased by £488 million (12%) principally driven by increased rates in KEDNY and KEDLI under the new rate plan along with higher NIMO revenues related to a capex tracker for incremental investment. Regulated controllable costs were £8 million lower year-on-year, with increased workload and the impact of inflation being offset by efficiency savings. Bad debt expense increased by £45 million driven by increased receivables, in line with revenue increases. Depreciation and amortisation increased due to the growth in assets. Other costs (on an underlying basis) decreased due to lower environmental costs (net benefit in 2024/25 compared with net charge in 2023/24 related to inflation impacts across multiple sites), partially offset by higher property taxes, driven by increasing asset base.

National Grid Ventures

£m	2024/25	2023/24	Change
Revenue	**1,397**	1,389	1%
Operating costs	**(1,220)**	(665)	(83%)
Depreciation and amortisation	**(173)**	(166)	(4%)
Statutory operating profit	**5**	558	(99%)
Exceptional items	**360**	(89)	n/m
Remeasurements	**15**	—	n/a
Adjusted/underlying operating profit	**380**	469	(19%)

National Grid Ventures' statutory operating profit reduced by £553 million, principally as a result of a £303 million impairment of Community Offshore Wind (COSW) investment, along with £57 million of exceptional transaction and separation costs for the planned disposal of National Grid Renewables and £15 million of commodity remeasurement losses all recognised in 2024/25. This compared with £89 million of net exceptional gains in 2023/24, consisting of £92 million of property damage insurance proceeds for the IFA1 fire, net of £3 million of exceptional charges related to our prior cost efficiency programme.

National Grid Ventures' underlying operating profit was £89 million lower than 2023/24. In the UK, interconnector profits decreased versus the prior year primarily as a result of lower interconnector revenues as market spreads returned to more historically normal conditions. On 30 September 2024, our Grain LNG business in the UK and our National Grid Renewables business in the US were reclassified as 'held for sale' with depreciation ceasing from that date onwards. In the US, profit was lower, primarily as a consequence of fewer renewable projects being sold to our Emerald joint venture.

Other activities

£m	2024/25	2023/24	Change
Statutory operating (loss)/profit	**(10)**	(117)	92%
Exceptional items	**(133)**	57	n/m
Adjusted operating (loss)/profit	**(143)**	(60)	(138%)
Analysed as follows:			
Property	**54**	30	80%
Corporate and Other activities	**(197)**	(90)	(119%)
Adjusted operating (loss)/profit	**(143)**	(60)	(138%)

Other activities' statutory operating loss of £10 million (2024: £117 million loss) includes a net exceptional gain of £133 million, consisting of a £187 million exceptional gain on disposal of the UK Electricity System Operator, net of £46 million of exceptional charges related to our major transformation programme and £8 million of exceptional transaction and separation costs incurred by our corporate function related to the planned disposal of our Grain LNG business. The prior year included £11 million of exceptional transaction, separation and integration costs related to the separation and disposal of UK Gas Transmission and the integration of National Grid Electricity Distribution and £46 million of exceptional charges as part of our cost efficiency programme.

Other activities' underlying operating loss was £143 million (including corporate costs) in 2024/25 compared with £60 million loss in 2023/24. This increase mainly relates to £69 million higher fair value losses within our NG Partners portfolio, £24 million lower insurance captive profits combined with £12 million higher corporate centre costs, partially offset by higher UK property sales in the year.

Financial review continued

Exceptional items and remeasurements in operating profit – continuing

In 2024/25, we classified a number of items as exceptional, which has the net impact of increasing our statutory operating profit by £42 million (2024: £1,011 million decrease) compared with our adjusted and underlying operating profit measures. These items comprise of an exceptional credit of £146 million in 2024/25 related to a decrease in our environmental provisions (2024: £496 million charge); a £151 million provision release (2024: £498 million provision charge) in UK Electricity System Operator for estimated timing over-recoveries returned prior to its disposal on 1 October 2024; a gain of £187 million on the disposal of the UK Electricity System Operator; a £303 million impairment of our investment in COSW; transaction, separation and integration costs of £65 million (2024: £44 million) and no insurance recoveries in the current year (2024: £92 million). Our 'Evolution' cost efficiency programme was completed in 2023/24 with £65m of exceptional costs in that year. For further details see note 5 to the financial statements. In 2024/25, we embarked on a new four-year major transformation programme designed to implement our 'pureplay networks business' strategy, incurring £74 million of exceptional costs. The expected future costs for this programme are anticipated to be around £200 million.

We also exclude certain unrealised gains and losses on mark-to-market financial instruments ('remeasurements') from adjusted and underlying profit. In 2024/25, net remeasurement gains on commodity contract derivatives (i.e. 'mark-to-market' movements on derivatives used to hedge the cost of buying wholesale gas and electricity on behalf of US customers and derivatives in our UK interconnectors business) were £127 million, compared with net remeasurement losses of £24 million in 2023/24.

Financing costs and taxation – continuing

Net finance costs

Statutory net finance costs of £1,357 million were down from £1,464 million in 2023/24 and included derivative remeasurement gains of £4 million (2024: £15 million gains). Underlying net finance costs for the year were 8% lower than last year at £1,361 million. The Rights Issue raised net proceeds of £6.8 billion in June 2024, resulting in lower average net debt than the prior year. The beneficial impact of this was partly offset by outflows for higher levels of capital investment and higher interest rates on new borrowings resulting in a net £80 million reduction in net debt related finance costs. Other interest was favourable year on year reflecting higher capitalised interest partly offset by higher discount unwind on provisions. The effective interest rate for continuing operations of 4.1% is 10bps lower than the prior year rate.

Joint ventures and associates

The Group's share of net profits from joint ventures and associates on a statutory basis increased to £73 million (2024: £37 million). This was net of derivative remeasurement losses of £2 million (2024: £64 million) in our NG Renewables joint venture. This investment was reclassified to held for sale on 30 September 2024, with no profits being recognised from that date onwards. On an adjusted basis, the share of net profits from joint ventures and associates decreased by £26 million compared with 2023/24, mostly reflecting lower BritNed revenues driven by lower auction prices.

Tax

The statutory tax charge for continuing operations was £821 million (2024: £831 million) including the impact of tax on exceptional items and remeasurements of £40 million credit (2024: £152 million credit). The adjusted tax charge for continuing operations was £861 million (2024: £983 million), resulting in an adjusted effective tax rate for continuing operations (excluding profits from joint ventures and associates) of 25.3% (2024: 24.7%).

The underlying tax charge for the year (a non-GAAP measure) was £616 million (2024: £515 million). The underlying effective tax rate (excluding joint ventures and associates) of 15.4% was 20bps lower than last year (2024: 15.6%). This is mainly due to increased investment in NGET leading to a lower underlying tax charge, partly offset by the change in geographic profit mix. The Group's tax strategy is detailed later in this review.

Discontinued operations

On 26 September 2024, we completed the sale of our residual 20% interest in National Gas Transmission for proceeds of £686 million, resulting in a gain on disposal after transaction costs of £25 million. The Group has not applied equity accounting in relation to this asset held for sale since 31 January 2023 (the date of sale of our 60% interest) resulting in no profits being recognised from that date onwards.

Capital investment and asset growth

Capital investment

Capital investment comprises capital expenditure in critical energy infrastructure, equity investments, equity funding contributions to joint ventures and associates, and net movements in capital expenditure-related prepayments to secure delivery of future capital investment projects.

	At actual exchange rates			At constant currency		
£m	2024/25	2023/24	Change	2024/25	2023/24	Change
UK Electricity Transmission	2,999	1,912	57%	2,999	1,912	57%
UK Electricity Distribution	1,426	1,247	14%	1,426	1,247	14%
UK Electricity System Operator	—	85	(100%)	—	85	(100%)
New England	1,751	1,673	5%	1,751	1,668	5%
New York	3,289	2,654	24%	3,289	2,645	24%
National Grid Ventures	378	662	(43)%	378	661	(43)%
Other activities	4	2	100 %	4	2	100 %
Total Group	9,847	8,235	20%	9,847	8,220	20%

UK Electricity Transmission investment increased by £1,087 million compared with 2023/24 due to increased expenditure on ASTI projects (including EGL1, EGL2, Yorkshire GREEN and North London reinforcement projects) and additional spend in customer connections, increased overhead line work, asset operations investment and IT-related capital projects.

UK Electricity Distribution increased by £179 million primarily due to additional asset replacement and refurbishment, growth in connections and higher reinforcement works.

New England, capital investment increased by £78 million primarily due to higher electric capital investment driven by asset conditioning and Advanced Metering Infrastructure (AMI) spend.

New York, capital investment was £635 million higher primarily due to a step up in gas capital investment in KEDNY and KEDLI following increases approved in the rate case (mains replacement and other mandated works) and along with higher electric investment in NIMO driven by the Climate Leadership and Community Protection Act programme spend, in addition to higher AMI investment.

Capital investment in National Grid Ventures was £284 million lower after completing the build of Viking Link in 2023/24 and with lower contributions from NG Renewables and Grain LNG (spend post reclassification to 'held for sale' is not included within capital investment).

UK Electricity System Operator has no reported capital investment since being classified as held for sale during 2023/24.

Asset growth and regulated asset growth (non-GAAP measures)

A key part of our investor proposition is growth in our regulated asset base. The regulated asset base is a regulatory construct, representing the invested capital on which we are authorised to earn a cash return. By investing efficiently in our networks, we add to our regulatory asset base over the long term and this in turn contributes to delivering shareholder value. Our regulated asset base comprises our regulatory asset value (RAV) in the UK, plus our rate base in the US (our regulated asset growth). We also invest in related activities that are not subject to network regulation and this further contributes to asset growth.

In total, asset growth in 2024/25 was 9.0% (2024: 9.7%). Asset growth tracks the overall increase in assets (excluding foreign exchange movements and the impact of significant increases or decreases from business acquisition or disposal transactions) using a combination of UK RAV and US rate base for our regulated businesses, and IFRS balances for our non-regulated businesses. Asset growth excludes the impact of the reduction in RAV as a result of the disposal of our UK Electricity System Operator business during 2024/25. A detailed calculation of asset growth is provided on pages 294.

In terms of asset growth by business sector, UK RAV growth was 9.8% (2024: 7.3%) driven by increased 'slow money' additions, partly offset by lower RAV indexation (lower year end CPIH inflation), along with higher RAV depreciation. US rate base grew strongly by 11.5% (2024: 11.5%), with continued high levels of capital expenditure (as measured under US GAAP) and more assets coming into service during the year resulting in increased rate base at 31 March 2025. On a combined basis, the increase in our UK RAV and US rate base (at constant currency) produced 'regulated asset growth' of 10.5% (2024: 9.1%).

Non-regulated businesses' growth was (2.1)% (2024: 14.4%) mainly as a result of lower ongoing investment in National Grid Ventures and the impact of asset write-downs.

Cash flow, net debt and funding

Net debt is the aggregate of cash and cash equivalents, borrowings, current financial and other investments and derivatives (excluding commodity contract derivatives) as disclosed in note 29 to the financial statements. 'Adjusted net debt' used for the RCF/adjusted net debt calculation is principally adjusted for pension deficits and hybrid debt instruments. For a full reconciliation see page 287. The following table summarises the Group's cash flow for the year, reconciling this to the change in net debt.

Summary cash flow statement

£m	2024/25	2023/24	Change
Cash generated from continuing operations	6,991	7,281	(4%)
Purchase of intangibles, PP&E, investments in JVs and acquisition of financial investments (net of disposals)[1]	(9,713)	(7,588)	(28%)
Dividends from JVs and associates	126	176	(28%)
Business net cash outflow from continuing operations	**(2,596)**	(131)	n/m
Net interest paid	(1,588)	(1,479)	(7%)
Net tax paid	(183)	(342)	46%
Cash dividends paid	(1,529)	(1,718)	11%
Other cash movements	11	16	(31%)
Net cash outflow (continuing)	**(5,885)**	(3,654)	(61%)
Disposals of subsidiaries and associates[2]	1,263	681	85%
Discontinued operations	22	102	(78%)
Rights Issue (net of costs)	6,839	—	n/m
Other, including net financing raised/(repaid) in year	(1,474)	3,298	n/m
Increase/(decrease) in cash and cash equivalents	**765**	427	79%
Reconciliation to movement in net debt			
Increase/(decrease) in cash and cash equivalents	765	427	79%
Less: other net cash flows from investing and financing transactions	1,474	(3,298)	n/m
Net debt reclassified to held for sale	(55)	(23)	n/m
Impact of foreign exchange movements on opening net debt	528	466	13%
Other non-cash movements	(476)	(206)	n/m
(Increase)/decrease in net debt	2,236	(2,634)	n/m
Net debt at start of year	(43,607)	(40,973)	(6%)
Net debt at end of year	**(41,371)**	(43,607)	5%

1. Net of disposals and also net of £143 million exceptional insurance recoveries in 2023/24.
2. Cash proceeds of £577 million for ESO (which is net of the balance of cash and cash equivalents disposed) and £686 million (2024: £681 million) for our 20% remaining interest in National Gas Transmission. The total consideration received for the disposal of ESO was £673 million.

Cash flow generated from continuing operations was £7.0 billion, £290 million lower than last year, mainly due to adverse timing movements (primarily in UK Electricity System Operator related to the return of BSUoS revenue over-recoveries which occurred in 2023/24). This impact was substantially offset by higher revenues in our retained regulated businesses compared with 2023/24, along with lower provisions and exceptional outflows. Cash expended on investment activities increased as a result of continued growth in our regulated businesses including a significant step-up of cash capital investment in UK Electricity Transmission which was £1.0 billion higher than the prior year, along with higher investment in New York, New England and UK Electricity Distribution. The £9.7 billion outflow in 2024/25 includes ongoing cash investment in Grain LNG, UK Electricity System Operator and National Grid Renewables, subsequent to these businesses being reclassified as held for sale. The prior year £7.6 billion outflow is net of insurance recoveries related to the rebuild of the IFA1 interconnector in the UK.

Financial review continued

Net interest paid increased mainly as a result of the timing of cash interest payments (accrued interest movements), partly offset by a lower average level of net debt which benefited from a net £6.8 billion inflow from the Rights Issue proceeds (net of transaction costs). The Group made net tax payments of £183 million (2024: £342 million) for continuing operations during 2024/25. This decrease mainly related to lower taxable profits driven by over-recovered revenues in the prior year in the UK Electricity System Operator business.

The lower cash dividend reflected the higher weighted average scrip uptake of 31% in the current year (2024: 18%), partly offset by the annual inflationary increase on a dividend per share basis (after rebasing for the impact of the Rights Issue).

In 2024/25, we completed the sale of our UK Electricity System Operator business to the UK Government for proceeds of £673 million (including £45 million from completion adjustments received after 31 March 2025). We also sold our final 20% interest in National Gas Transmission for proceeds of £686 million. In 2023/24 we reduced our interest in National Gas Transmission from 40% to 20% interest for proceeds of £681 million and received a dividend payment of £102 million in discontinued operations.

During the year we raised net £6.8 billion (net of transaction costs) of equity financing by means of a Rights Issue. This helped reduce overall Group regulatory gearing and will help finance capital investment across the Group during future years. In addition, we also raised £3.2 billion of new long-term senior debt to refinance maturing debt and to fund a portion of our significant capital programme.

Other cash movements principally relate to net financing inflows or outflows to maintain our cash balances at an appropriate level in accordance with the Group liquidity policy, but do not have an impact on the Group's net debt. Other non-cash movements which do impact net debt, primarily reflect changes in the sterling–dollar exchange rate, accretions on index-linked debt, lease additions and other derivative fair value movements, offset by the amortisation of fair value adjustments on acquired debt.

As at 14 May 2025, we have £7.8 billion of undrawn committed facilities available for general corporate purposes, all of which have expiry dates beyond May 2026. National Grid's balance sheet remains robust, with strong overall investment grade ratings from Moody's, Standard & Poor's (S&P) and Fitch.

The Board has considered the Group's ability to finance normal operations as well as funding a significant capital programme. This includes stress testing of the Group's finances under a 'reasonable worst-case' scenario, assessing the timing of the sale of businesses held for sale and the further levers at the Board's discretion to ensure our businesses are adequately financed. As a result, the Board has concluded that the Group will have adequate resources to do so.

Financial position

The following table sets out a condensed version of the Group's IFRS balance sheet.

Summary balance sheet

£m	31 March 2025	31 March 2024	Change
Goodwill and intangibles	**13,096**	13,160	—%
Property, plant and equipment	**74,091**	68,907	8%
Assets and liabilities held for sale	**2,194**	349	529%
Other net liabilities	**(805)**	106	(859%)
Tax balances	**(8,246)**	(7,728)	(7%)
Net pension assets	**1,916**	1,814	6%
Provisions	**(3,049)**	(3,109)	2%
Net debt	**(41,371)**	(43,607)	5%
Net assets	**37,826**	29,892	27%

Goodwill and intangibles reduced mainly as a result of changes in exchange rates and reclassifications to held for sale. Property, plant and equipment increased mainly as a result of the continuing capital investment programme offset by exchange rate movements and reclassifications to held for sale. Assets held for sale at 31 March 2025 comprised our UK Grain LNG business and our US National Grid Renewables business and at 31 March 2024 comprised the retained 20% minority interest in National Gas Transmission and all of the UK Electricity System Operator business, both of which were fully divested during 2024/25. Tax balances increased principally from accelerated tax depreciation due to ongoing capital investment, movements in other net temporary differences and the impact of exchange rate movements. Net pension assets increased as a result of increased employer contributions into other post-retirement benefit schemes, a decrease in liabilities primarily from higher discount rates and exchange rate movements. Provisions were reduced principally as a result of decreases in US environmental charges and the impact of the discount unwind. Other movements are largely explained by net working capital inflows and changes in the sterling–dollar exchange rate.

Regulatory gearing (a non-GAAP measure), is calculated as net debt as a proportion of total regulatory asset value and other business invested capital, reduced significantly in the year to 61% as at 31 March 2025. This was lower than the previous year-end level of 69% with benefits from the £6.8 billion Rights Issue net proceeds, £1.3 billion of proceeds from sales of businesses (UK Electricity System Operator and the final 20% interest in National Gas Transmission), partly offset with a £1.4 billion adverse swing in timing under/over-recoveries. Taking into account the benefit of our hybrid debt, adjusted gearing as at 31 March 2025 was 61% (2024: 67%), with the current overall Group credit rating of BBB+/Baa1 (S&P/Moody's).

Retained cash flow as a proportion of adjusted net debt was 9.8%, up 60bps from 2023/24 and above the long-term average level of 7.0% indicated by Moody's, as consistent with maintaining our current Group rating.

Off-balance sheet items

There were no significant off-balance sheet items other than the commitments and contingencies detailed in note 30 to the financial statements. In accordance with IFRS, regulatory assets and regulatory liabilities are not recognised on the balance sheet. Further information in respect of certain of the Group's energy purchase contracts and commodity price risk is disclosed in note 32(f) to the financial statements.

Economic returns (non-GAAP measures)

A principal way in which we measure our performance in generating value for shareholders is to divide regulated financial performance by regulatory equity, to produce RoE.

As explained on page 288, regulated financial performance adjusts reported operating profit to reflect the impact of the Group's various regulatory economic arrangements in the UK and US. In order to show underlying performance, we calculate RoE measures excluding exceptional items of income or expenditure.

Group RoE is used to measure our performance in generating value for our shareholders by dividing regulated and non-regulated financial performance, after interest and tax, by our measure of equity investment in all our businesses, including the regulated businesses, NGV and other activities and joint ventures. This metric's calculation methodology was updated during 2024/25 with comparative amounts restated accordingly. For further details please see page 291.

Regulated businesses' RoEs are measures of how the businesses are performing compared with the assumptions and allowances set by our regulators. US jurisdictional and UK entity regulated returns are calculated using the capital structure assumed within their respective regulatory arrangements and, in the case of the UK, assuming inflation of 2% CPIH under RIIO-2. As these assumptions differ between the UK and the US, RoE measures are not directly comparable between the two geographies. In our performance measures, we compare achieved RoEs to the level assumed when setting base rate and revenue allowances in each jurisdiction.

Return on Equity 'RoE' (non-GAAP measures)

%	2024/25	2023/24	Change
UK Electricity Transmission	**8.3%**	8.0%	30bps
UK Electricity Distribution	**7.9%**	8.5%	-60bps
New England	**9.1%**	9.2%	-10bps
New York	**8.7%**	8.5%	20bps
Group RoE[1]	**9.0%**	10.5%	-150bps

1. Our calculation methodology for Group RoE changed in 2024/25. Comparative amounts have been restated accordingly. See page 291 for details.

In 2024/25, UK Electricity Transmission achieved operational returns of 8.3%, delivering 100bps of outperformance under RIIO-T2, mainly from totex performance related to savings on capital delivery (2024: 8.0% achieved return, or 100bps above the allowed base return). UK Electricity Distribution achieved an operational return of 7.9% in 2024/25, including 20bps outperformance, mostly consisting of non-totex performance incentives. Outperformance was impacted by the costs associated with Storm Darragh and the adverse impact of the RIIO-ED2 Real Price Effect (RPE) mechanism, where lower than anticipated allowances due to reductions in commodity indices have not tracked actual costs incurred (2024: 8.5% achieved return, or 110bps above the allowed base return).

New England's achieved return of 9.1% was 92% of the allowed return in 2024/25 compared with an achieved return of 9.2% in 2023/24. New York's achieved return of 8.7% was 94% of the allowed return in 2024/25 compared with an achieved return of 8.5% in 2023/24. The quoted returns for New England and New York represent the weighted average return across operating companies within each jurisdiction.

Overall Group RoE, which incorporates NGV, property, corporate and other activities, and financing and tax performance, was 9.0% in 2024/25 compared with 10.5% achieved in 2023/24. This decrease was principally due to the impact of the Rights Issue proceeds increasing the equity denominator by means of reducing Group gearing.

Tax transparency

As a responsible taxpayer, we have voluntarily included additional tax disclosures, which we believe are of significant interest to many of our stakeholders. For information on the Company's activities, please see page 2, and for a definition of discontinued operations, please see note 10 to the financial statements.

Tax strategy

National Grid is a responsible taxpayer. Our approach to tax is consistent with the Group's broader commitments to doing business responsibly and upholding the highest ethical standards. This includes managing our tax affairs, as we recognise that our tax contribution supports public services and the wider economy. We endeavour to manage our tax affairs so that we pay and collect the right amount of tax, at the right time, in accordance with the tax laws in all the territories in which we operate. We will claim valid tax reliefs and incentives where these are applicable to our business operations, but only where they are widely accepted through the relevant tax legislation such as those established by government to promote investment, employment and economic growth. We do not have operations in tax havens or low-tax jurisdictions without commercial purpose.

We have a strong governance framework and our internal control and risk management framework helps us manage risks, including tax risk, appropriately. We take a conservative approach to tax risk. However, there is no prescriptive level or pre-defined limit to the amount of acceptable tax risk.

Our financial statements have been audited. The figures in the tax transparency disclosures in the Annual Report and Accounts have been taken from our financial systems, which are subject to our internal control framework.

We act with openness and honesty when engaging with relevant tax authorities and seek to work with tax authorities on a real-time basis. We engage proactively in developments of external tax policy and engage with relevant bodies where appropriate. Ultimate responsibility and oversight of our tax strategy and governance rests with the Finance Committee, with executive management delegated to our Chief Financial Officer who oversees and approves the tax strategy on an annual basis. For more detailed information, please refer to our published tax strategy on our website.

Financial review continued

Country-by-country reporting summary

We have disclosed in the table below data showing the scale of our activities in each of the countries we operate in. This allows our stakeholders to see the profits earned, taxes paid and the context of those payments. The Group's entities are tax resident in their jurisdiction of incorporation other than where indicated in the footnotes to note 34 to the financial statements.

2024/25	Revenue					
Tax jurisdiction	Unrelated party[1] £m	Related party[2] £m	Total £m	Profit/(loss) before income tax[3] £m	Income tax accrued – current year[4] £m	Tangible assets/(liabilities) other than cash and cash equivalents[5] £m
United Kingdom	6,707	241	**6,948**	2,703	67	34,680
United States	11,671	58	**11,729**	947	47	39,411
Isle of Man	–	51	**51**	51	–	–
Luxembourg	–	–	**–**	–	–	–
Belgium	–	–	**–**	1	–	–
Total	18,378	350	**18,728**	3,702	114	74,091

2023/24	Revenue					
Tax jurisdiction	Unrelated party[1] £m	Related party[2] £m	Total £m	Profit/(loss) before income tax[3] £m	Income tax accrued – current year[4] £m	Tangible assets/(liabilities) other than cash and cash equivalents[5] £m
United Kingdom	9,063	128	**9,191**	2,890	411	32,189
United States	10,787	68	**10,855**	181	82	36,718
Isle of Man	–	44	**44**	56	–	–
Luxembourg	–	–	**–**	–	–	–
Belgium	–	–	**–**	–	–	–
Total	19,850	240	**20,090**	3,127	493	68,907

1. Unrelated party revenue comprises revenue from continuing operations of £18,378 million (2024: £19,850 million) (see consolidated income statement) and revenue from discontinued operations of £nil (2024: £nil) (see note 10 to the financial statements).
2. Related party revenue only includes cross-border transactions and comprises related party revenue from continuing operations of £350 million (2024: £240 million) and related party revenue from discontinued operations of £nil (2024: £nil).
3. Profit/(loss) before income tax (PBT) from operations after exceptionals comprises continuing operations PBT of £3,650 million (2024: £3,048 million) (see consolidated income statement) and discontinued operations PBT of £52 million (2024: £79 million) (see note 10 to the financial statements).
4. Current year income tax accrued comprises current year income tax from continuing operations of £113 million (2024: £492 million) (see note 7 to the financial statements) and current year income tax from discontinued operations of £1 million (2024: £1 million). See the tax charge to tax paid reconciliation below for further information.
5. Tangible assets comprises property, plant and equipment (see consolidated statement of financial position) and excludes tangible fixed assets for businesses classified as 'held for sale' or disposed of during the year of £1,359 million (UK Electricity System Operator (ESO) £121 million, National Grid Renewables £340 million, Grain LNG £898 million) (2024: UK Electricity System Operator (ESO) £113 million) (see note 10 to the financial statements).

Our Isle of Man company is a captive insurance company which is treated as a controlled foreign company for UK tax purposes and, as such, UK corporation tax is paid on its profits.

Our presence in Luxembourg is to address a nationalisation risk which arose from a Labour Party proposal in 2019 to nationalise nearly all of National Grid's UK assets.

Transfer pricing is not a significant issue for the Group given the nature of our core businesses and the number of jurisdictions we operate in. Where there are related party transactions, these are taxed on an arm's length basis in accordance with the Organisation for Economic Co-operation and Development (OECD) principles.

Group's total tax charge to tax paid

The total tax charge for the year disclosed in the financial statements in accordance with accounting standards and the equivalent total corporate income tax paid during the year will differ.

The principal differences between these two measures are as follows:

Reconciliation of Group's total tax charge to tax paid

£m	2024/25	2023/24
Total Group tax charge[1]	**822**	832
Adjustment for Group non-cash deferred tax	**(783)**	(465)
Adjustments for Group current tax (charge)/credit in respect of prior years	**75**	126
Group current tax charge	**114**	493
Group tax charge not payable in the current year	**(46)**	(63)
Group tax instalment payments (repayable)/payable in respect of the prior year	**25**	2
Tax instalment payments over/(under) paid in the current year	**(27)**	(22)
Tax recoverable offset against current tax payments due	**–**	(72)
Tax instalment payments over/(under) paid due in the following year	**–**	–
Group tax payment/(refunds) in respect of prior years paid in the current year	**–**	3
Tax balance included with Other liabilities in note 10	**117**	1
Group tax paid	**183**	342
Profit before income tax[2]	**3,702**	3,127
	%	%
Effective cash tax rate	**4.9**	10.9
Effective tax rate[3]	**22.2**	26.6

1. Total Group tax charge from operations after exceptionals is comprised of tax charge of continuing operations of £821 million (2024: £831 million) and discontinued operations of £1 million (2024: £1 million).
2. Profit/(loss) before income tax (PBT) from continuing operations after exceptionals is comprised of continuing operations PBT of £3,702 million (2024: £3,048 million) and discontinued operations PBT of £52 million (2024: £79 million).
3. Effective tax rate for continuing operations after exceptionals is 22.5% (2024: 27.3%) and discontinued operations is 2.1% (2024: 1.3%).

Effective cash tax rate

The effective cash tax rate for the total Group is 4.9%. The difference between this and the accounting effective rate of 22.2% is primarily due to the following factors.

National Grid is a capital-intensive business, across both the UK and the US, and as such invests significant sums each year in its networks. In 2024/25 the Group's total capital expenditure was £9,847 million. To promote investment, tax legislation allows a deduction for qualifying capital expenditure at a faster rate than the associated depreciation in the statutory accounts. The impact of this is to defer cash tax payments into future years. As the Group's qualifying capital expenditure has increased from the prior year, the resulting available tax deductions have further reduced the effective cash tax rate.

The sale of the ESO in the year gave rise to a non-taxable gain as it met the conditions of the UK Substantial Shareholding Exemption. This also reduced the effective cash tax rate for the year.

The Group continued to make payments into the UK defined benefit pension schemes, National Grid Electricity Group section of the Electricity Supply Pension Scheme and the Western Power Pension Scheme during the course of the year. These payments have further reduced the overall cash tax paid in the UK.

Group's total tax contribution

The total amount of taxes we pay and collect globally year-on-year is significantly more than just the tax which we pay on our global profits. To provide a full picture, we have disclosed the Group's global total tax contribution which includes contributions from both continuing and discontinued businesses.

Group's total tax contribution 2024/25 (taxes borne/collected)

Taxes borne

Key:	£m
People	274
Product	215
Profit	183
Property	1,237
Miscellaneous	33
Total	**1,942**

Taxes collected

Key:	£m
People	865
Product	780
Miscellaneous	1
Total	**1,646**

Taxes borne are a cost to the Group. Taxes collected are taxes generated by the operations of the Group which we are obliged to administer on behalf of the government (e.g. income tax under PAYE, employees' national insurance contributions).

2024/25	Tax contribution					
Tax jurisdiction	Income tax paid/ (repaid) on cash basis[1] £m	Property taxes £m	Other taxes borne[2] £m	Taxes collected £m	**Total tax contribution £m**	Number of employees[3] as at 31 March 2025
United Kingdom	156	247	140	858	**1,401**	13,477
United States	27	990	382	788	**2,187**	18,177
Ireland	–	–	–	–	**–**	–
Isle of Man	–	–	–	–	**–**	–
Luxembourg	–	–	–	–	**–**	–
Netherlands	–	–	–	–	**–**	–
Total	183	1,237	522	1,646	**3,588**	31,654

2023/24	Tax contribution					
Tax jurisdiction	Income tax paid/ (repaid) on cash basis[1] £m	Property taxes £m	Other taxes borne[2] £m	Taxes collected £m	**Total tax contribution £m**	Number of employees[3] as at 31 March 2024
United Kingdom	341	227	151	1,102	**1,821**	13,956
United States	1	956	338	710	**2,005**	17,469
Ireland	–	–	–	–	**–**	–
Isle of Man	–	–	–	–	**–**	–
Luxembourg	–	–	–	–	**–**	–
Netherlands	–	–	–	–	**–**	–
Total	342	1,183	489	1,812	**3,826**	31,425

1. See the tax charge to tax paid reconciliation above for further information.
2. Other taxes borne is made up of People, Product and Miscellaneous taxes.
3. Number of employees is calculated as the total National Grid workforce across all parts of the business, including Non-executive Directors and Executive Directors and employees of the discontinued operations. All are active, permanent employees as well as both full-time and part-time employees.

For 2024/25, our total tax contribution was £3,588 million (2023/24: £3,826 million), taxes borne were £1,942 million (2023/24: £2,014 million) and taxes collected were £1,646 million (2023/24: £1,812 million). Our total tax contribution has decreased in the year primarily due to a reduction in product taxes collected (e.g. UK VAT) and profit taxes. This is principally as a result of the sale of the ESO part way through the year.

Two thirds of the tax borne by the Group continues to be in relation to property taxes, of which £990 million are paid in the US across over 1,200 cities and towns in Massachusetts, New Hampshire, New York and Vermont. These taxes are the municipalities principal source of revenue to fund school districts, police and fire departments, road construction and other local services.

In the UK, we participate in the 100 Group's Total Tax Contribution Survey. The survey ranks the UK's biggest listed companies in terms of their contribution to the total UK Government's tax receipts. The most recent result of the survey for 2023/24 ranks National Grid as the 15th highest contributor of UK taxes (2022/23: 13th), the 12th highest in respect of taxes borne (2022/23: 11th) and third (2022/23: 1st) in respect of capital expenditure of £3,052 million (2022/23: £3,057 million) on fixed assets. Our ranking in the survey is proportionate to the size of our business and capitalisation relative to the other contributors to the survey.

However, National Grid's contribution to the UK and US economies is broader than just the taxes it pays over to and collects on behalf of the tax authorities.

Both in the UK and the US we employ thousands of individuals directly. We also support jobs in the construction industry through our capital expenditure, which in 2024/25 was £9,847 million, as well as supporting a significant number of jobs in our supply chain. Furthermore, as a utility we provide a core essential service which allows the infrastructure of the country/states we operate in to run smoothly. This enables individuals and businesses to flourish and contribute to the economy and society.

Development of future tax policy

We believe that the continued development of a coherent and transparent tax policy across the Group is critical to help drive growth in the economy.

We continue to engage on consultations with policymakers where the subject matter impacts taxes borne or collected by our business, with the aim of openly contributing to the debate and development of tax legislation for the benefit of all our stakeholders.

To ensure that the needs of our stakeholders are considered in the development of tax policy we are a member of a number of industry groups which participate in the development of future tax policy, such as the Electricity Tax Forum, together with the 100 Group in the UK, which represents the views of Finance Directors of FTSE 100 companies and several other large UK companies. We undertake similar activities in the US, where the Group is an active member in the Edison Electric Institute, the American Gas Association, the Global Business Alliance, the American Clean Power Association, the Business Council for Sustainable Energy and the Solar Energy Industries Association.

Feedback from these groups, such as the results of the 100 Group Total Tax Contribution survey helps to ensure that we consider the needs of our stakeholders and are engaged at the earliest opportunity on tax issues which affect our business.

Financial review continued

Pensions

In 2024/25, defined contribution pensions, defined benefit pensions and other post-employment benefit operating costs were slightly higher than prior year at £305 million (2024: £273 million).

During the year, our pensions and other post-retirement benefit plans increased from a net surplus position of £1,814 million at 31 March 2024 to a net surplus of £1,916 million at 31 March 2025.

This was principally the result of actuarial losses on plan assets of £1,204 million (lower investment returns) and actuarial gains on plan liabilities of £1,175 million (higher discount rates from corporate bond yields and lower long-term RPI inflation expectations). Employer contributions during the year were £282 million (2024: £165 million), including £12 million (2024: £23 million) of deficit contributions. As at 31 March 2025, the total UK and US assets and liabilities and the overall net IAS 19 (revised) accounting surplus (2024: surplus) is shown below. Further information can be found in note 25 to the financial statements.

Net defined benefit asset

	UK pensions		US pensions		US other post-retirement benefits		Total	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
Liabilities	(51)	(56)	(196)	(210)	(326)	(327)	(573)	(593)
Assets	1,179	1,317	672	618	638	472	2,489	2,407
Net defined benefit asset	1,128	1,261	476	408	312	145	1,916	1,814

Dividend

The Board has recommended a final dividend to 30.88p per ordinary share ($2.0545 per American Depository Share), which will be paid on 17 July 2025 to shareholders on the register of members as at 30 May 2025. If approved, this will bring the full-year dividend to 46.72p per ordinary share, representing an increase of 3% to the 45.26p 'rebased' dividend per share (as explained below) for 2023/24. This is in line with the increase in average UK CPIH inflation for the year ended 31 March 2025 as set out in our dividend policy.

As part of the Rights Issue, the Board announced that the overall cash dividend level would be maintained, with the additional shares from the Rights Issue resulting in a reduction to calculated dividend per share. The total dividend to shareholders (cash plus scrip) in respect of the financial year to 31 March 2024 was £2,167 million (58.52p per share). This total dividend of £2,167 million spread across a higher number of shares adjusted for the Rights Issue equated to a 'rebased' dividend per share in respect of 2023/24 of 45.26p (see calculation on page 295).

The Board aims to grow annual dividend per share (DPS) in line with UK CPIH, thus maintaining the DPS in real terms. The Board will review this policy regularly, taking into account a range of factors including expected business performance and regulatory developments.

At 31 March 2025, National Grid plc had £18.0 billion of distributable reserves, which is sufficient to cover more than five years of forecast Group dividends. If approved, the final dividend will absorb approximately £1,512 million of shareholders' funds. The 2024/25 full dividend is covered approximately 1.6x by underlying earnings.

The Directors consider the Group's capital structure at least twice a year when proposing an interim and final dividend and aim to maintain distributable reserves that provide adequate cover for dividend payments.

A scrip dividend alternative will again be offered in respect of the 2024/25 final dividend.

New accounting standards

We did not adopt any new accounting standards in 2024/25. Amendments to certain existing accounting standards were adopted during the year, but these had no material impact on the Group's results or financial statement disclosures.

Post balance sheet events

For further details, see note 36 to the financial statements.

Viability Statement

The Board's consideration of the longer-term viability of the Group is an extension of our business planning process.

The process includes financial forecasting, risk assessment, regular budget reviews as well as scenario planning incorporating industry trends, considering any emerging issues and economic conditions. Our business strategy aims to enhance our long-term prospects by making sure our operations and finances are sustainable.

As required by provision 31 of the 2018 UK Corporate Governance Code, the Board has formally assessed the prospects of the Group, and this assessment has been made over the next five financial years in line with the Company's Strategic Business Plan. The assessment includes the potential impact (financial and reputational) of different stress testing scenarios on our Group Principal Risks which are severe but plausible and could impact the longer-term viability of the Company, our solvency and liquidity.

We also consider Emerging Risks and select a cluster scenario to assess the potential impact of several of our Group Principal Risks crystallising at the same time.

Risk cluster

The impact of a cluster of the Group Principal Risks crystallising over the assessment period was considered by analysing risk interconnectivities to select a risk cluster and stress testing scenario that could pose the most significant threat to our viability. Our cluster scenarios modelled the financial impact of a significant cyber-attack, resulting in a significant data breach, a catastrophic asset failure in the US gas business, energy disruption, and impact on our New York gas operating licences (gas specifically due to the potentially higher risk of catastrophic failure by nature of the assets).

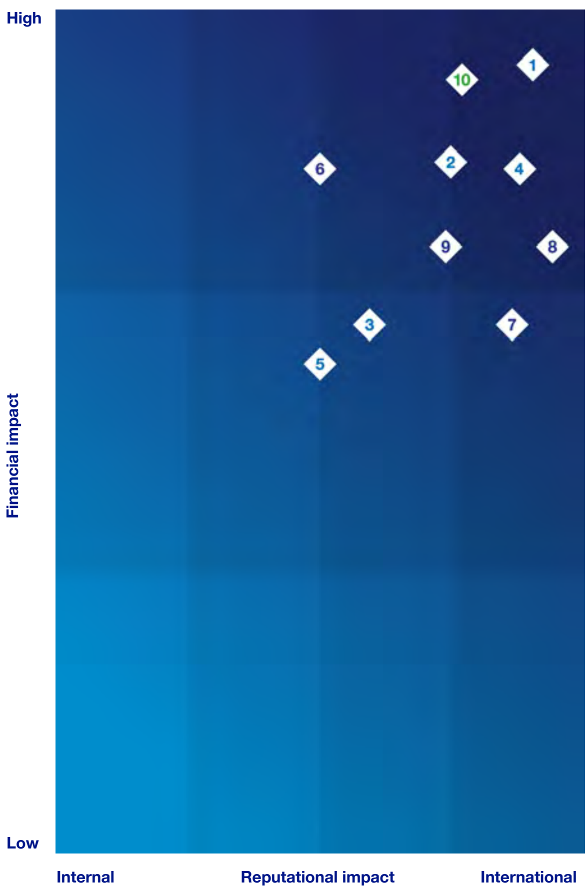
While the cluster scenarios would lead to significant impacts, management would have mitigation strategies available to ensure the Company remains viable over the five-year assessment period. National Grid operates in stable markets and the robust financial position of the Group, including the ability to sell assets, raise capital and suspend or reduce the payment of dividends, provides a range of options to secure viability in addition to ensuring we would have a sound operational response.

Viability

The Directors are satisfied that they have sufficient information to judge the viability of the Company and, based on the assessment described above and on pages 34–41, have a reasonable expectation that the Company will be able to continue operating and meet its liabilities as they fall due in the period to May 2030.

Principal Risk stress testing

Each Group Principal Risk was considered and, where appropriate, a stress testing scenario was identified to assess impacts on reputation and financial performance over the five-year assessment period as detailed below. All scenarios are considered low probability events.



	GPR	Stress testing scenarios
1	**Catastrophic cyber security incident***	A significant successful cyber attack.
2	**Significant disruption of energy***	Significant energy disruption event due to an extreme weather event across the US, UK and interconnectors, impacting a large number of customers.
3	**Upstream supply**	Severe gas supply disruptions in the US impacting a large number of customers.
4	**Significant safety or environmental event (asset failure)***	A catastrophic failure of the US gas system, leading to a major safety breach or environmental spill.
5	**Major capital programmes**	Inability to either successfully secure appropriate incentive mechanisms and/or deliver our major capital projects
6	**Satisfactory regulatory outcomes**	Poor outcome of future US rate case filings, and low performance under RIIO-T3 in the UK.
7	**Climate change mitigation**	Inability to meet net zero targets.
8	**Political and societal expectations**	Challenges in NY/MA to meet increasing demand due to infrastructure constraints alongside diminishing acceptance of the energy transition
9	**People capability and capacity**	n/a
10	**Financing our Business***	Financing a significant capital investment programme driven by energy transition targets in the UK and US, amid higher interest rates, inflation and concerns about cash flow sufficiency and market risk.

* included as part of risk cluster

Corporate Governance

Effective governance

Corporate Governance

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Chair's statement

Dear Shareholders,

I am pleased to present the 2024/25 Corporate Governance Report which provides an overview of how our Board operates for the benefit of shareholders and other stakeholders. This year will be our final year of reporting against the 2018 UK Corporate Governance Code (the 'Code'), with which we are fully compliant. During the year, we have looked at our governance practices alongside the UK Corporate Governance Code 2024 (the '2024 Code'), to both ensure that we are compliant from 1 April 2025 and that we are aligned with the spirit of the Code in promoting good governance. We were pleased to note that we are already compliant with the updated provisions of the 2024 Code which we are required to report on next year.

Year in review

The Board has engaged with several key topics during the year. We carefully reviewed all elements of the 2024 Rights Issue, which concluded successfully. All of the representations regarding the Company and its strategy were scrutinised, including operations and future commitments. Leading up to the offering, our diligence included consideration of the delivery of our capital plans, disposals of non-core businesses, and regulatory matters. We periodically undertake 'deep-dives' into topics that require the devotion of extra time, often over several meetings or in off-cycle enrichment sessions. Among the topics under review during the year were: customer service strategy; adoption of, and investment in, technology; AI-related demand; connections policy; and the net zero policies of our various jurisdictions.

We also undertook an internally-facilitated evaluation of the Board's effectiveness, following three years in which we utilised independent external advice. The key observations from this review can be found on page 108.

Board composition and changes

Since our refreshment process began in 2021, seven new Board members have been inducted, including me. The service of only four current Board members pre-dates 2021, two of whom are Executive Directors. With this much change in expertise and outlook, Board members agreed that continuing to develop deeper expertise and collaboration was more important than further refreshment. As noted elsewhere in this Annual Report, a substantial amount of time was focused on succession and talent development. This responsibility is best undertaken by a board that has had some time to have contact with key managers and leaders in the organisation.

We had one notable change to the overall operation of the Board in the year under review. Julian Baddeley joined as Group Company Secretary in July 2024 following the creation of a standalone Group Company Secretary role, reflecting the wider remit and responsibilities of the new Chief Legal Officer role held by Justine Campbell. On 1 May 2025, we announced that Zoë Yujnovich will become our next Chief Executive upon the retirement of John Pettigrew. Zoë will join the Board on 1 September 2025, when she begins her employment as CEO Designate.

Employee engagement

We have continued with our programme of employee engagement through the year. This has included engaging with our employee resource groups, meeting high potential colleagues, and inviting leaders across the business to join the Board for informal discussions. Our Directors, and the Board as a whole, have also undertaken site visits across the business. These visits allow the Board to assess the ethos and culture of our business units and encourage open and honest communication.

In November 2024, the Board considered our alternative Board workforce engagement arrangement of 'Full Board Employee Voice' and determined that it continues to provide meaningful engagement across the business. Further information on the Board's interactions with employees and site visits can be found on pages 106 and 107.

Engagement with other stakeholders

As Chair, I engaged with investors across the year, particularly as part of the 2024 Rights Issue. As part of our Directors' Remuneration Policy review, Martha Wyrsch, Remuneration Committee Chair, reached out to large shareholders and investor bodies to seek constructive dialogue on the changes being proposed to Directors' remuneration.

All of our Committee Chairs make themselves available to meet with investors and investor bodies to discuss areas within the remit of their Committees. The Board also met with various external stakeholders during the year, including the Chair and CEO of the National Energy System Operator and the CEO of the New York Independent System Operator, so that we can understand matters and issues of concern first-hand.

Further information on our engagement with key stakeholders can be found in the 'Our stakeholders' section on pages 22 to 24.

AGM

I look forward to welcoming shareholders to our AGM on 9 July 2025, which will again be held in Warwickshire as a hybrid meeting, providing the opportunity for shareholders to join online or in person. Further details can be found in the Notice of AGM, which is available on our website.

Paula Rosput Reynolds
Chair

14 May 2025

Governance at a glance

UK Corporate Governance Code (the ‘Code’) – 2024/25 Compliance Statement

The Company is subject to the Principles and Provisions of the Code, published by the Financial Reporting Council in July 2018 (available at frc.org.uk). For the year ended 31 March 2025, the Board considers that the Company has complied in full with the Provisions of the Code. This Corporate Governance Report, taken as a whole, explains how the Company has applied the Principles and complied with the Provisions of the Code. The table below provides a guide to where the most relevant explanations are given:

Principles of the Code

1	**Board leadership and company purpose**	
A.	The role of the Board and long-term sustainable success	4, 98
B.	Purpose, values, strategy and culture	2 – 3, 8 – 10, 14 – 17, 51 – 54, 106
C.	Resources and prudent and effective controls	34 – 41
D.	Shareholder and stakeholder engagement	22 – 24, 104 – 107
E.	Workforce policies and practices	23, 51 – 54, 107
2	**Division of responsibilities**	
F.	Chair’s leadership	4, 96 – 98
G.	Board composition and division of responsibilities	99 – 102
H.	Time commitment and role of Non-executive Directors	99 – 102, 109
I.	Policies, processes, information and resources	96 – 98, 107, 276
3	**Composition, succession and evaluation**	
J.	Board appointments and succession planning	110 – 111
K.	Board and Committee skills, experience, knowledge and tenure	99 – 102, 110 – 111
L.	Board evaluation	108
4	**Audit, risk and internal controls**	
M.	Independence and effectiveness of internal and external audit functions	117
N.	Fair, balanced and understandable assessment	113
O.	Risk management, internal control and determining the nature and extent of principal risks	34 – 41, 116
5	**Remuneration**	
P.	Remuneration policies and practices	121 – 149
Q.	Director and senior management remuneration	121 – 149
R.	Independent judgement and discretion in remuneration outcomes	121 – 125

Details on information required for our US Securities and Exchange Commission (SEC) filing and the Form 20-F can be found on page 271.

Meeting attendance

The table below sets out Directors’ attendance at the seven scheduled Board meetings also held during the year ended 31 March 2025. Two ad hoc meetings were held in the year.

Directors	Committee Chair	Board	People & Governance Committee	Audit & Risk Committee	Safety & Sustainability Committee	Finance Committee	Remuneration Committee
Paula Rosput Reynolds	P	7/7	3/3	–	–	–	–
John Pettigrew	E	7/7	–	–	–	3/3	–
Andy Agg		7/7	–	–	–	3/3	–
Ian Livingston	F	7/7	–	5/5	–	–	4/4
Jacqui Ferguson[1]		6/7	–	5/5	2/2	–	–
Iain Mackay[2]	A	6/7	–	5/5	–	3/3	4/4
Anne Robinson[3]		6/7	–	–	3/4	–	4/4
Earl Shipp	S	7/7	3/3	–	4/4	–	–
Jonathan Silver[4]		7/7	3/3	1/1	–	3/3	–
Tony Wood		7/7	3/3	–	4/4	–	–
Martha Wyrsch	R	7/7	–	–	4/4	–	4/4

1. Jacqui Ferguson was unable to attend the July 2024 Board meeting due to illness. Jacqui received all Board papers and had the opportunity to provide comments to the Board prior to the meeting. Jacqui Ferguson joined the Safety & Sustainability Committee on 5 July 2024 and attended all meetings held after her appointment.
2. Iain Mackay was unable to attend the May 2024 Board meeting due to a pre-existing commitment. Iain received all Board papers and had the opportunity to provide comments to the Board prior to the meeting.
3. Anne Robinson was unable to attend the July 2024 Board and the March 2025 Safety & Sustainability Committee meetings due to pre-existing commitments. Anne received all Board and Committee papers and had the opportunity to provide comments prior to the meetings.
4. Jonathan Silver stepped down from the Audit & Risk Committee effective 5 July 2024.

Committee

A Audit & Risk Committee
P People & Governance Committee
S Safety & Sustainability Committee
F Finance Committee
R Remuneration Committee
E Group Executive Committee

Corporate governance overview

We have a high-functioning and balanced Board. Our governance framework ensures that the Board is effective in its decision making and in its oversight of the Group's activities, complementing our values of do the right thing, find a better way and make it happen.

Governance structure

The schedule of matters reserved for the Board and the Terms of Reference for each of our Board Committees are available in our Board Governance document which can be found on our website.

Our governance framework

Board of Directors

The Board is responsible for the effective oversight of the Group. It determines the Group's strategic direction and objectives, business plan, dividend policy, viability and governance structure to help achieve long-term success and deliver sustainable shareholder value. It is also responsible for establishing the Company's strategy, purpose, values and culture. The Board considers key stakeholders in its decision making and, in doing so, ensures that Directors comply with their duty under section 172 of the Companies Act 2006 (see page 22).

To operate efficiently and maintain appropriate oversight and consideration over relevant matters, the Board delegates certain responsibilities to the Board Committees. The Chair of each Committee reports to the Board on their respective Committee's activities, and Committee papers and minutes are available to all Directors unless there is an actual or perceived conflict of interest.

Board Committees

People & Governance Committee
- Composition of the Board and its Committees
- Succession planning
- Corporate governance Framework
- Board workforce engagement strategy

pages 110 – 111

Audit & Risk Committee
- Financial reporting
- Internal control and risk management framework
- Compliance
- Internal and external audit
- Whistleblowing
- Responsible Business disclosures and assurance

pages 112 – 118

Safety & Sustainability Committee
- Safety, including occupational, public and process safety
- Sustainability, including the impact of the Group's operations on stakeholders

page 119

Finance Committee
- Treasury
- Tax
- Pensions and post-retirement plans
- Insurance
- Commodities

page 120

Remuneration Committee
- Remuneration framework for the Chair, Executive Directors and Group Executive Committee members
- Remuneration practices and policies for the wider workforce

pages 121 – 125

Board composition and roles

As at the date of this report, the Board comprises a Non-executive Chair (independent on appointment), two Executive Directors (Chief Executive and Chief Financial Officer) and eight independent Non-executive Directors. Biographies for each of our Directors can be found on pages 99 to 102.

There is a clear division of responsibilities between the Chair, the Chief Executive and the Senior Independent Director. The key responsibilities of each role are set out in our Board Governance document which can be found on our website.

Group Executive Committee and other management committees

The Group Executive Committee oversees the safety, operational and financial performance of the Company. It is responsible for making the day-to-day management and operational decisions it considers necessary to safeguard the interests of the Company and to execute the strategy, business objectives and targets established by the Board.

Biographies for the Group Executive Committee members can be found on our website. The Group Executive Committee is supported by management committees, including:

Safety, Health & Sustainability Committee
Provides oversight and strategic guidance on Group-wide safety, health and sustainability matters affecting the Company and its stakeholders.

Reputation & Stakeholder Management Executive Committee
Assesses the broader external context in which the Company operates and provides strategic oversight for external engagement.

Ethics, Risk & Compliance Committee
Oversees the implementation of the Group's risk management and compliance framework and assessment of the Group's principal risks.

Policy & Regulation Committee
Agrees and provides strategic oversight of Group public policy priorities and positions.

Investment Committee
Has delegated authority to approve investment decisions across the Group.

Our Board

Paula Rosput Reynolds
Chair

Appointed: Independent Non-executive Director on 1 January 2021 and Chair on 31 May 2021

Age: 68

Skills and competencies: Paula brings a wealth of board-level experience to National Grid, having led global companies in the energy and financial sectors. She has over 20 years' experience as a Non-executive Director in both the UK and US across multiple sectors and businesses, and has brought a strategic and regulatory lens on issues to the Board. During her career, Paula has played a vital role with several company-wide transformations and mergers. She is recognised for having transformed AGL Resources from a local utility into a multi-state energy and telecommunications company, and for materially enhancing the operating and financial performance of Safeco Corp, a US insurance company that was ultimately acquired by Liberty Mutual.

External appointments:

- Non-executive Director of GE Vernova and Chair of the Safety & Sustainability Committee
- Non-executive Director of Linde plc

Committee membership:

P

John Pettigrew
Chief Executive

Appointed: Executive Director on 1 April 2014 and Chief Executive on 1 April 2016

Age: 56

Skills and competencies: John has extensive experience in the utility sector. He joined National Grid as a graduate in 1991 and has progressed through many senior management roles. As Chief Executive, John is responsible for executive leadership and day-to-day management of the Group, bringing significant know-how and commerciality to ensure delivery of the strategy. He has delivered transformational organisational and portfolio change, positioning National Grid strongly for the energy transition. John engages widely with governments, policy makers and other stakeholders, helping to shape energy policy. He is a Fellow of the Energy Institute and of the Institution of Energy and Technology.

External appointments:

- Senior Independent Director of Rentokil Initial plc

Committee membership:

E F

Andy Agg
Chief Financial Officer

Appointed: 1 January 2019

Age: 55

Skills and competencies: Andy trained and qualified as a Chartered Accountant with PricewaterhouseCoopers and is a member of the Institute of Chartered Accountants in England and Wales. Joining National Grid in 2008, Andy has significant financial experience and commercial acumen, having held a number of senior finance leadership roles across the Group, including Group Financial Controller, UK Chief Financial Officer and Group Tax and Treasury Director. Andy has in-depth knowledge of National Grid, in both the UK and the US, and has broad experience across operational and corporate finance roles, including a proven track record of leading and delivering value-creating strategies, significant transformation programmes, and significant transactional experience. Andy is also a member of the 100 Group Main Committee contributing to domestic and international finance and regulatory matters.

External appointments:

- Non-executive Director of The Weir Group plc

Committee membership:

E F

Committee membership

- A Audit & Risk Committee
- P People & Governance Committee
- S Safety & Sustainability Committee
- ◆ Committee Chair
- F Finance Committee
- R Remuneration Committee
- E Group Executive Committee

Biographies, tenure and age as at 14 May 2025

Our Board continued

Ian Livingston
Senior Independent Non-executive Director

Appointed: 1 August 2021

Age: 60

Skills and competencies: Ian brings a wealth of experience to National Grid, having been both CEO and CFO of BT Group plc, and CFO of Dixons Group. In addition to a highly successful executive career, he has also had extensive non-executive experience in large UK and US public companies as board, audit and remuneration committee chair.

Ian also has significant experience of large, regulated companies operating in both the UK and internationally. He is a member of the House of Lords and has also previously served in the UK Government as Minister of State for Trade and Investment. He is a qualified Chartered Accountant.

External appointments:

- Chair of S&P Global Inc.
- Chair of BGF Group plc
- Member of the House of Lords

Committee membership:

F A R

Jacqui Ferguson
Independent Non-executive Director

Appointed: 1 January 2024

Age: 54

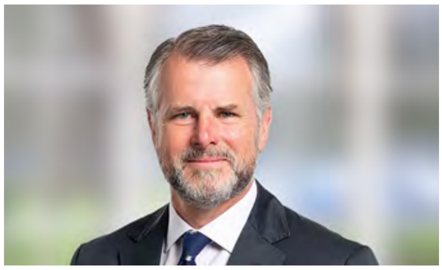
Skills and competencies: Jacqui has significant non-executive experience in complex science and technology-centric businesses and in her executive career as a divisional CEO in the technology industry. She has global broad business experience, including in mergers and acquisitions, and has worked across numerous international and emerging markets. Jacqui has expertise in leading technology-enabled transformations, digital, cyber security, technology and business process solutions. Jacqui has formerly held various senior positions with Hewlett Packard (HP), including Chief of Staff to the Chairman and CEO, Senior Vice President HP Enterprise Services, Electronic Data Systems (which was acquired by HP) and KPMG.

External appointments:

- Senior Independent Director and Remuneration Committee Chair of Croda International plc
- Senior Independent Director at Softcat plc

Committee membership:

A S



Iain Mackay
Independent Non-executive Director

Appointed: 11 July 2022

Age: 63

Skills and competencies: Iain has significant financial experience, gained in a range of sectors and operating in regulated environments globally. He was most recently Chief Financial Officer at GSK plc, where he was responsible for several of its key global functions, including Finance, Investor Relations and Technology. Prior to this, Iain was Group Finance Director at HSBC Holdings plc for eight years, working across Asia, the US and Europe, and previously worked at General Electric, Dowell Schlumberger and Price Waterhouse. Iain's extensive background knowledge and financial expertise allow him to effectively chair the Audit & Risk Committee. Iain is a member of the Institute of Chartered Accountants of Scotland, holds an MA in Business Studies and Accounting, and received an Honorary Doctorate from Aberdeen University in Scotland.

External appointments:

- Non-executive Director of Schroders plc
- Non-executive Director of UK Government Investments Ltd
- Non-executive Director of O-I Glass, Inc.

Committee membership:

A F R

Committee membership

- A Audit & Risk Committee
- F Finance Committee
- P People & Governance Committee
- R Remuneration Committee
- S Safety & Sustainability Committee
- E Group Executive Committee
- Committee Chair

Biographies, tenure and age as at 14 May 2025

Anne Robinson
Independent Non-executive Director

Appointed: 19 January 2022

Age: 54

Skills and competencies: Anne has over 20 years' legal experience in the financial services industry, where she has counselled senior executives on a wide range of legal, regulatory and business issues. She currently serves as Senior Vice President and Chief Legal Officer at IBM. Anne brings to the Board expansive and varied legal experience in the financial services and consulting fields as well as experience of working closely with boards and investors on a broad range of ESG issues. Anne earned a BS from Hampton University and a JD from Columbia University Law School, and is an advocate for sponsorship and mentorship of other women in the legal profession.

External appointments:

- Senior Vice President and Chief Legal Officer at IBM

Committee membership:

R S

Earl Shipp
Independent Non-executive Director

Appointed: 1 January 2019

Age: 67

Skills and competencies: Earl has substantial experience in the global industrial and energy sectors as an Executive and Non-executive Director. With a career of over 40 years in the chemical industry, he has a track record of successfully leading transformative growth projects and driving pioneering technology innovation.

Earl is a former chair of the US Federal Reserve Bank of New Orleans and was a member of the Federal Reserves Energy Advisory Committee for several years. He has an enhanced knowledge of cyber risk having graduated from the Carnegie Mellon University Cyber-Risk Oversight Program for Corporate Directors.

External appointments:

- Non-executive Director of Olin Corporation
- Non-executive Director of Great Lakes Dredge and Dock Co.

Committee membership:

S P

Jonathan Silver
Independent Non-executive Director

Appointed: 16 May 2019

Age: 67

Skills and competencies: Jonathan has considerable knowledge of the US-regulated energy environment, and experience and understanding of integrating public policy and technology into a utility. Jonathan's previous work in the US Department of Energy included leading the Federal Government's $40 billion clean energy investment fund and a $20 billion fund focused on electric vehicles. Jonathan's strong background in finance and Government policy, along with his long career at the intersection of policy, technology, finance and energy, brings innovative insight to the Board's policy discussions and to its interaction with management.

Jonathan's former roles include consultant at McKinsey in the Financial Institutions practice, COO of Tiger Management, Senior Advisor to Guggenheim Securities and Senior Policy Advisor to the US Secretary of Commerce and the US Secretary of the Interior.

External appointments:

- Advisor at Apollo Global Management, Inc.
- Chair of Terram Lab

Committee membership:

P F

Committee membership

- A Audit & Risk Committee
- P People & Governance Committee
- S Safety & Sustainability Committee
- Committee Chair
- F Finance Committee
- R Remuneration Committee
- E Group Executive Committee

Biographies, tenure and age as at 14 May 2025

Our Board continued

Tony Wood
Independent Non-executive Director

Appointed: 1 September 2021

Age: 59

Skills and competencies: Tony has proven business leadership credentials as an experienced Chief Executive and brings to the Board significant engineering experience. Tony is also a Fellow of the Royal Aeronautical Society. He was most recently Chief Executive of Meggitt plc and led the operational and cultural transformation of the company, transitioning from an industrial holding structure to a focused and customer-led business, leveraging technology investment.

Tony was formerly President of the Aerospace division of Rolls Royce plc and developed a strong reputation as an operator, turning around and growing several challenging business units and internationalising the company's footprint.

External appointments:

- Non-executive Director of Airbus SE
- Chair of Chemring Group plc

Committee membership:

P S

Martha Wyrsch
Independent Non-executive Director

Appointed: 1 September 2021

Age: 67

Skills and competencies: Martha has held a number of senior positions in the energy industry and has significant experience of the US market. She has served as General Counsel of energy and utility companies and was CEO of the divisions of major energy companies, including a major international gas transmission business, as well as leading the growth and development of the renewables business of Vestas in the US.

As an accomplished Director for publicly listed companies in both the UK and the US, Martha brings to the Board relevant experience across the renewable energy sector, as well as a strong understanding of the US regulatory environment, having previously held leadership roles in large US-regulated utility businesses.

External appointments:

- Director of Quanta Services, Inc.
- Director of First American Financial Corp
- Advisor to Summit Carbon Solutions

Committee membership:

R S

Julian Baddeley
Group Company Secretary

Appointed: 1 July 2024

Age: 44

Skills and competencies: Julian is a Chartered Company Secretary and corporate lawyer. Prior to joining National Grid, Julian served as Group Company Secretary of abrdn plc, previously known as Standard Life Aberdeen. He has extensive Board, C-suite, transactional and regulatory experience in, or advising, large FTSE100 organisations from his former roles at Aviva, Clifford Chance, Friends Life and Cadbury plc. Julian is responsible for guiding the Board in governance matters and leading the Company Secretariat function.

External appointments:

- Independent Director/Trustee of ShareGift and Chair of the Audit Committee

Committee membership:
None

Committee membership

A Audit & Risk Committee
P People & Governance Committee
S Safety & Sustainability Committee
Committee Chair
F Finance Committee
R Remuneration Committee
E Group Executive Committee

Biographies, tenure and age as at 14 May 2025

Group Executive Committee

John Pettigrew
Chief Executive

Andy Agg
Chief Financial Officer

Justine Campbell
Chief Legal Officer

Alice Delahunty
President, UK Electricity Transmission

Courtney Geduldig
Chief Corporate Affairs Officer

Sally Librera
President, National Grid New York

Talvis Love
Chief Information and Digital Officer

Cordi O'Hara
President, UK Electricity Distribution

Will Serle
Chief People Officer

Steve Smith
Chief Strategy and Regulation Officer

Carl Trowell
President, UK Strategic Infrastructure

Lisa Wieland
President, National Grid New England

Ben Wilson
President, National Grid Ventures

Key Board activities

Board meeting agendas are agreed in advance by the Chair, Chief Executive and Group Company Secretary, and are structured to ensure that key standing items are considered across the year, while providing time for deep-dives and flexibility for additional matters to be considered where appropriate.

The Board considers a number of standing items at each meeting, including:

- Chief Executive's report
- Chief Financial Officer's report
- Reports from the Board Committees
- Company Secretary's report, including updates on governance matters and legal updates

The key matters considered by the Board during the year are set out below.

Link to strategy

- Enable the energy transition for all
- Build the networks of the future now
- Deliver for customers
- Operate safely and efficiently
- Build tomorrow's workforce today

Our stakeholders considered in Board discussions

- Customers
- Investors
- Colleagues
- Supply chain and delivery partners
- Communities
- Political and regulatory

The Board considers our key stakeholders in its decision making and, in doing so, ensures that the Directors comply with their duty under section 172 of the Companies Act 2006. Our section 172 statement and further information on our key stakeholders can be found on pages 22 to 24.

Strategy

Strategy, purpose and regulatory

The Board sets our strategy and spent significant time in the year considering the Company's strategic execution. During the year, the Board:

- approved the Strategic Business Plan 2024;
- considered regulatory filings, including the filing for a multi-year rate agreement with the New York Public Service Commission (NYPSC);
- considered the potential impact to regulation and energy policy brought by changes in the political landscape in the US and the UK;
- considered the RIIO-T3 business plan submission for Electricity Transmission;
- oversaw the progress of transactions, including the sale of Grain LNG and National Grid Renewables;
- discussed capital allocation and financing strategy following the completion of the 2024 Rights Issue; and
- oversaw strategic infrastructure major project delivery, including those within the ASTI framework.

Responsible Business

Through the Safety & Sustainability Committee, the Board is responsible for considering the following throughout the year:

- the Responsible Business review contained within the Annual Report;
- progress against the Group's key Responsible Business goals;
- progress against the Group's sustainability strategy and emissions targets; and
- the setting and progress of business targets for the LTPP in relation to non financial metrics, specifically net zero transition measures.

Strategy offsite

The Board's annual strategy meeting was held in February 2025 at an offsite location in Menlo Park, California where our National Grid Partners business is based. We reviewed the Company's progress against its strategy, taking into consideration the considerable changes to the environment we're operating in. It was also an opportunity to outline forward-looking priorities. Focus was given to AI and potential developments in this area and we met external influencers in this market, including Google and Nvidia, to hear about new developments and the impact on the energy market. We also met the following National Grid Partners portfolio companies around how our investments in these different companies and technologies are being utilised:

- LineVision;
- TS Conductor; and
- Veir.

This was followed by a number of deep dives into areas of the business, including our customer strategy, US businesses and potential opportunities for growth in our non-regulated businesses.

Financial

Financial

The Board receives updates on the Company's financial performance at each meeting and oversees the financial strategy across the Group. During the year, the Board:

- approved the 2024/25 budget;
- reviewed and approved the Strategic Business Plan, the five-year framework and the comprehensive financing plan aligned with the five-year framework, including the £7 billion Rights Issue announced in May 2024;
- recommended the 2023/24 final dividend to shareholders and approved the 2024/25 interim dividend;
- discussed and approved the Viability and Going Concern statements;
- considered and approved the Annual Report and Accounts, including Form 20-F;
- reviewed the bid defence and shareholder activism process;
- considered our Investor Relations strategy, including stock performance and engagement with investors and analysts, in particular in light of the completion of the £7 billion Rights Issue in May 2024; and
- reviewed the tax and insurance strategy and the performance of the Group sponsored defined benefit pension plans.

People and culture

People, culture and values

Through the People & Governance Committee and the Remuneration Committee, the Board is responsible for monitoring and assessing the culture of the Group, as well as reviewing succession and executive remuneration in the context of the wider workforce. During the year, the Board:

- considered and approved an updated Workforce Engagement Plan and Non-executive Directors undertook workforce engagement activities;
- received updates on culture, including the results of Grid:Voice, our annual review of employee engagement and an overview of the Company's culture diagnostic;
- considered succession planning for senior management including the CEO, and the programmes that support the future talent pipeline;
- approved for publication the Gender and Ethnicity Pay Gap Report;
- approved the Remuneration Policy which is recommended for shareholder approval at the 2025 AGM;
- approved the grant of the 2025 Sharesave Plan; and
- reviewed the progress of the Company's Ethics Campaign roll-out.

Safety

Through the Safety & Sustainability Committee, the Board is responsible for the oversight of safety and wellbeing strategies and their implementation across the Group. During the year, the Board:

- conducted a review of our Safety, Health and Environment performance across the Group;
- conducted a review of Group Engineering performance;
- reviewed the results of the Group's 2024 Safety Culture Survey;
- received an update on climate adaptation and asset resilience strengthening efforts; and
- considered the initial reflections from the newly appointed Chief Health, Safety and Wellbeing Officer.

Oversight

Risk, controls and governance

The Board sets the approach to risk management and oversees the effectiveness of our internal controls, including our governance framework. During the year, the Board with the support of the Audit & Risk Committee:

- considered and approved the Annual Report and Accounts, including Form 20-F, as well as our Notice of AGM;
- approved the 2024 Rights Issue prospectus and related documentation;
- considered the Group's internal control and risk management processes;
- approved the GPRs, emerging risks and our risk appetite;
- considered compliance with the 2024 UK Corporate Governance Code;
- approved the Group's Modern Slavery Statement;
- undertook an annual refresh of the Group's Statement of Delegations of Authority;
- carried out an annual review of the Board Governance documents which included our Committees' Terms of Reference and Matters Reserved for the Board; and
- undertook an internal Board evaluation to review the effectiveness of the Chair, the Board and its Committees.

Culture and workforce engagement

The Board's role in establishing and promoting the Group's culture

The Board is responsible for ensuring that the Group's culture is aligned with its purpose, values and strategy and for assessing and monitoring how the desired culture has been embedded across the Group. The Board is committed to embedding the culture needed to support the delivery of our five-year plan.

The Board is supported in this by the People & Governance Committee which monitors the effectiveness of workforce engagement and reports to the Board on alignment with the Company's strategy, purpose, values and culture.

The Board assesses and monitors how the Company's desired culture has been embedded by:
- considering feedback from the People & Governance Committee on its review of the annual culture diagnostic;
- discussing and reviewing reports at Board meetings related to culture, engagement and employee conduct;
- considering the results of the twice-yearly engagement surveys and onboarding and exit surveys, which drive further insight and understanding of culture and colleague sentiment;
- overseeing management's delivery of a wide range of culture engagement and conduct programmes, including our 'Living our Values' recognition programme, and monitoring the impact of these programmes via management's regular reports to the Board; and
- considering feedback from the Remuneration Committee on its approach to investing in and rewarding the workforce.

The Chief People Officer attended the Board meeting in March 2025 to present the results of the annual culture diagnostic which showed a continued shift towards a more results and purpose-led culture. This followed a similar presentation in November on the half-year employee survey. Clarity, pride and motivation were identified as clear strengths for the organisation, pointing to the unique role that National Grid plays in the communities it serves.

The Chief People Officer also provided an update on progress made against the Group's People Strategy, including the Group's ambition to 'Build Tomorrow's Workforce Today'. Based on previous feedback received, management has continued to evolve the Group's communication channels to ensure that all colleagues are provided with useful, relevant and targeted information, and has strengthened focus on seeking feedback from town halls, site visits and engagement surveys.

Senior management supports the Board in embedding and reinforcing the Group's culture across various forums, including:
- regular CEO webcasts to provide feedback on performance at an organisational level while reinforcing performance expectations; and
- regular meetings of the Senior Leadership Group (SLG) focusing on performance, aligning and engaging senior leaders on the challenges ahead.

Several campaigns support the Board in embedding the Company's culture; 'BIG Work' which targeted all colleagues to help them to understand the impact of their role and contribution on the overall performance on the organisation, and the 'Living our Values' recognition campaign, which surfaces and celebrates Company values in action. Our established 'Appreciate' recognition scheme allows colleagues to recognise peers who have demonstrated our values in their work all year round.

Further information on culture can be found on **page 110**.

Board and workforce engagement

During the year, the Board took the opportunity to review and refresh its workforce engagement programme while continuing with the 'Full Board Employee Voice' approach. Four key pillars of engagement were created to support this: talent, site visits, wider workforce (including Employee Resource Groups) and Board and Committee reporting. The Board agreed that our four pillar structure provided a variety of engagement opportunities, reaching a breadth of colleagues while maintaining a focus on distilling colleague sentiment to the Board. Examples of the Board's engagement during the year are set out below.

Engagement activity	Engagement in action
Talent Provides engagement opportunities with various talent cohorts across the Company and increases familiarity between the Board and succession candidates.	• In July 2024, the Board held an informal dinner with the UK SLG, providing an opportunity for engagement with UK senior leaders. A similar event was then held with the US SLG in March 2025. • Two Non-executive Directors and the Chief Executive attended the Company's engineering dinners and met with our engineering talent in the UK in July 2024 and the US in March 2025. • In November 2024, the Board attended an informal lunch with individuals from the Next Generation Development Programme, a programme aimed at strengthening senior management succession planning. • High-potential individuals also accompany the Board on certain site visits as well as taking part in wider workforce engagement events.
Site visits Provides the Board exposure to the workforce based at key sites across the organisation and the opportunity to hear from the workforce on the ground and 'in real time'.	Our Non-executive Directors visited a number of operational sites during the year, including: • the Hinkley Connection Project, in April 2024; • the Bramley to Melksham Overhead Line Upgrade Project across the East Coast of England, in July 2024; • the Electricity Distribution Customer Contact Centre in Leicestershire, in August 2024; • the Northport Power Station in Long Island, in November 2024; and • the Floyd Bennett Field Hanger in New York, in March 2025.
Wider workforce Ensures that the Board has the opportunity to hear from a wide cross section of the workforce, including those colleagues who may not be captured through the other pillars of the Board's engagement programme.	• In June 2024, one of our Non-executive Directors attended our annual ERG summit held in Warwick, which included discussions on executive sponsorship and leadership development. • For Black History Month, senior leaders across the Group were joined by two of our Non-executive Directors in a roundtable discussion webcast, hosted by the Alliance of Black Professionals ERG. • The Chief Executive hosted Grid:live all employee webcasts through the year. In July 2024, a webcast focused on opening up a 'Big Conversation' based around the 'Big Work' ongoing across the organisation. In December 2024, our Chief Executive and other senior leaders hosted a webcast to introduce our 'Living our Values' campaign. Both webcasts provided colleagues from across the organisation with an opportunity to ask questions in an informal forum. • In February 2025, the Board met with our National Grid Partners leadership team, as part of the strategy offsite, to hear about the work ongoing to find and develop innovative technology that will aid the Company in achieving its deliverables and play its part in the energy transition. • In February 2025, the Chair of the Remuneration Committee met with employees, to hear their views on workforce remuneration and to discuss how executive remuneration aligned with wider Company pay policy. Employees shared their thoughts on the Company's remuneration policies and the meeting discussions included the alignment of remuneration with the Company's desired culture and strategy.
Board and Committee reporting Provides the Board and its Committees with the relevant data to support the other engagement pillars.	The Board and Committees received various updates as part of their usual cadence of reporting which provided data to support the previous three pillars of engagement. This reporting is used to tailor engagement across specific areas. Three areas of focus during the year have been: • Grid:Voice - this outlined results from the employee survey, held annually as well as a snapshot at the mid-year point; • Culture diagnostic analysis – this provided an overview of the perceived and actual culture within the organisation and actions to aid with achieving desired cultural behaviours; and • Succession planning - updates were received outlining the Company's succession framework as well as including progress of individuals within different talent cohorts.

Feedback and engagement insight

Following engagement activities, the Directors provide feedback in subsequent Board meetings. The Board takes the time to discuss the views of the workforce and takes these views into consideration in wider Board and Committee discussions.

Further details on Grid:Voice can be found on **page 20.**

Board evaluation

Our annual evaluation process provides the Board and its Committees with an opportunity to consider and reflect on the quality and effectiveness of decision making and the contribution and performance of individual members.

Approach, methodology and outcomes

For 2024/25, the Board undertook an internal evaluation in the form of a confidential and anonymised questionnaire, considering the effectiveness of the Chair, the Board and its Committees. The format of the evaluation was agreed by the Chair with the support of the Group Company Secretary. The Board agreed that the internal evaluation should be focused on building on the views and feedback received from the previous year's evaluation.

The evaluation concluded that the Chair, the Board and its Committees had performed well and had continued to be effective over the past year. As 2024/25 is the last year of the three-year cycle, the 2025/26 evaluation will be an externally led evaluation, in line with the Code requirements.

2023/24	Current: 2024/25	2025/26
Internally led evaluation supported by Independent Board Evaluation (IBE)	Internally led evaluation	Externally led evaluation

Progress against our 2023/24 evaluation actions

Recommendations	Actions	Progress
Succession planning	Focus on engagement and succession planning for executive talent.	• Revised forward planners for the People & Governance Committee to appropriately spread succession and executive talent updates. • Implemented an enhanced Board engagement plan for executive talent. • Developed a succession framework for senior management roles.
Committee structure	Ensure Committee structure is appropriate for increasing focus on sustainability and the energy transition.	• Undertook benchmarking to consider the Committee structure and responsibilities. This was considered and determined as fit for purpose for the 2024/25 year but with a commitment to ongoing review.
Risk reporting	Review risk reporting to the Board.	• New Chief Risk Officer appointed. • Review of GPR allocation to Board and Committees. • Updated risk reporting framework implementation to better demonstrate risk assessments at Group and Business Unit level.
Board support	Continue to focus on Board material improvements to ensure clarity, conciseness and efficient use of Board time.	• A new paper writing portal with additional AI features implemented to assist paper authors. • Board paper writing training made available to paper authors.

Outcomes from our 2024/25 evaluation

Recommendations	Actions
Succession Continue to give focus to senior leadership succession and the Board's exposure to senior management.	• In 2024/25 dedicated deep-dives were introduced for the following areas i) CEO succession ii) senior management iii) wider workforce development programmes. Providing these focused opportunities will continue to form part of 2025/26 planning. • Continue the frequency and variety of engagement, both formal and informal, between the Board and senior management and the wider talent pipeline.
Governance framework Following the completion of the 2024 Rights Issue and the commencement of the Company's capital delivery programme, assess the Board Committee structure to ensure its scope evolves in line with the Company's operations and external environment.	• Review the Committee structure particularly in respect of risk, sustainability, reputation, operational and financing matters. • Assess if the continued ownership of all the Company's GPRs by the Audit & Risk Committee remains the most optimal and time efficient oversight model.

Directors' induction, development and training

The Group Company Secretary supports the Chair of the Board in ensuring that each Non-executive Director receives a comprehensive induction programme on appointment. The induction programme is designed to align with each Non-executive Director's role on the Board, their background and existing experience. The programme includes introductory meetings with the other Board Directors, overviews of each business unit led by the relevant President, site visits, and roundtable discussions with key teams around the business, tailored to the Director's Committee memberships.

In order to support ongoing training and development and to ensure the Board has the depth of knowledge required across different areas of the business, a number of enrichment sessions were offered throughout the year covering different matters. These are used to complement areas of focus on the Board agenda or to provide an opportunity for further detailed discussion from a previous report to the Board.

- July 2024 – Connections
- August 2024 – Environmental provisions
- September 2024 – US Transmission networks
- January 2025 – Generative AI
- January 2025 – Remuneration Policy review, including financial performance measures and the Company's Annual Performance Plan (APP) and Long-Term Performance Plan (LTPP)

The Board is also regularly briefed on corporate governance and regulatory matters by the Group Company Secretary.

Time commitment

The Board monitors external appointments and considers any potential conflicts of interest prior to approving the appointment of a Director. On accepting their appointment with the Company, Directors must confirm they are able to allocate sufficient time to discharge their responsibilities effectively. Directors are expected to attend meetings of the Board and any Committees of which they are members and devote sufficient time to prepare for this in advance. Directors are also encouraged to undertake site and office visits.

Before accepting any new external appointments, Directors are required to obtain the prior approval of the Board. The Board considers new external appointments in light of each Director's other appointments and roles on the Board. For each new external appointment approved by the Board during the year, the Board concluded that it would not impact each Director's ability to perform their duties and, accordingly, the Board gave its prior approval in each instance.

Re-election of Directors

The People & Governance Committee considers, in respect of each Director, their skills and experience, time commitment and tenure as part of the Board's recommendation to shareholders for their election or re-election of Directors. The Board believes that each Director who is being put forward for re-election at the 2025 AGM brings considerable knowledge, wide-ranging skills and experience to the Board, makes an effective and valuable contribution, and continues to demonstrate commitment to their role. The Board also considered the continued independence of all Non-executive Directors and considers them all to be independent in line with the Code.

People & Governance Committee report

Paula Rosput Reynolds
Chair of the People & Governance Committee

Key activities during the year

- Monitored the Company's culture and reviewed the culture diagnostic
- Approved the appointment of Group Executive Committee members
- Reviewed the outcome of the Company's Grid:Voice survey
- Focused on talent and succession, including executive development planning
- Reviewed the Company's talent programmes and the development of the talent pipeline

Composition

The Committee comprises three independent Non-executive Directors and the Chair of the Board. The Committee held three scheduled meetings and two ad hoc meetings during the year.

Committee members

Paula Rosput Reynolds (Chair)
Jonathan Silver
Earl Shipp
Tony Wood

Board and Committee structure and composition

As discussed in the Chair's statement on page 96, during the year the Board decided to maintain its current size. With effect from 5 July 2024, we made two committee changes: Jonathan Silver stepped down from the Audit & Risk Committee, succeeded by Jacqui Ferguson; Jonathan was appointed to the Finance Committee. We have announced that on 1 September 2025 we will welcome Zoë Yujnovich to the Board as an Executive Director, prior to her assuming the Chief Executive role in mid-November.

Being responsive to the environment in which the company operates, we have been reviewing our Committee structure. While there are legal and regulatory requirements that define stewardship, we are taking 'a clean sheet of paper' and answering the question of what is fit for purpose given the complexity of the business environment in which the Company operates and how it is changing. Working with our Company Secretary, Chief Risk Officer and others, we are looking at how a decade of rapid change relates to how the Board should spend its time and evaluate risks. In the year ahead, we intend to conclude on changes in the Committee remits and composition of the Committees.

Succession planning

At each of our meetings we considered talent and succession planning, reflecting the importance placed on ensuring that there is a clear pipeline of talent to support the Company over the coming years. The Committee approved the creation of a standalone Group Company Secretary role, reflecting the broader responsibilities of the Chief Legal Officer role and appointed Julian Baddeley as Group Company Secretary with effect from 1 July 2024. Several further changes to the Group Executive Committee were approved with the appointment of Ben Wilson as President, National Grid Ventures following the departure of Katie Jackson earlier in the year, Steve Smith as Chief Strategy & Regulation Officer, Talvis Love as Chief Information and Digital Officer and Sally Librera as President, New York following the retirement of Rudy Wynter.

As noted above and elsewhere in this report, Zoë Yujnovich will join National Grid on 1 September 2025 initially as CEO-Designate where there will be a two month transition period until she assumes the role of CEO in mid-November when John Pettigrew retires from the Board. Succession is something that should always be on the mind of any well-functioning board and as such, and given John's long and successful leadership of the Group, the Board had been in discussion with John about this for some time. In order to support the CEO succession process we appointed Egon Zehnder, who have no other link to the Company.

The process undertaken was robust, based on the operational, financial and international stakeholder management aspects of the role, with a range of candidates considered. Zoë Yujnovich was the standout candidate, and the Board unanimously approved her appointment.

While significant time was spent considering Chief Executive succession, the Committee also devoted time to the talent pipeline below the Executive Directors and their reports. We were briefed on the composition of the Senior Leadership Group and one level further below, to understand the identification process and talent development plans for high potential future leaders. We are pleased to report that we've seen maturation in our training and development programmes, reflecting meaningful investments in our people. The Board and the Committee have received presentations regarding plans for the workforce of the future. Given the scope and scale of our investments in modernisation and upgrades of our facilities across the Group, we are aware of the efforts underway to ensure that we have the appropriate skills and experience needed to maintain our systems and infrastructure.

To reflect feedback from the Board evaluation requesting further engagement for the whole Board around talent and succession, all Non-executive Directors continue to be invited to join the Committee for discussions related to talent and succession, in particular executive succession.

Culture

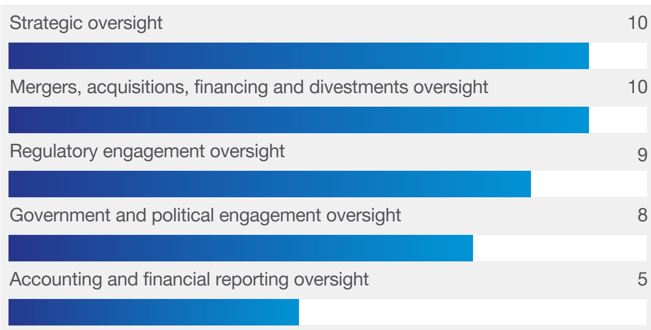
Time and focus continued to be given to the culture of the Company, looking at the results of our Grid:Voice survey as well as reviewing the findings of our culture diagnostic. See page 106 for further detail on how the Board monitors culture.

As an organisation, we continue to strive to be an inclusive place to work. Through the year we received our usual updates on the Company's progress in this area, including hearing how our Global Inclusion Week had impact across the organisation with significant engagement from employees and feedback for the third annual ERG (Employee Resource Group) summit which Tony Wood was able to attend in part.

Board skills and experience

We find ourselves quite fortunate in the diverse skills and perspectives of our Board members. They are all either active senior executives and/or active board members with prior senior executive leadership experience. Importantly, they devote the necessary time to our business. In the past year, there have been major undertakings that have involved the Board: the rights offering, significant regulatory proceedings and consultations, and succession planning, among others. The Board has been available on short notice when we have had significant events, such as the transformer fire at North Hyde substation. In every instance, the Directors gave the time and attention the respective issues merited.

We have a broad skills list which we categorise into two areas: i) Critical skills which are crucial to support the strategic direction and oversight of the Group, as reflected in the below table; and ii) General skills, a further suite of operational skills which include sustainability and climate change, major projects oversight, safety and risk management, among others. We benchmark our Directors against these skills on a regular basis and they are considered as part of succession planning. Naturally, the needs of the Board will continue to evolve as the Group's business evolves.



Composition, time commitment and independence

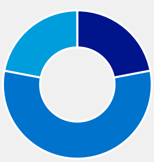
Approach to collating diversity data

As required by UK regulation, we report on diversity data to the extent that respondents voluntarily self-declare. For Non-executive Directors, we ask that they submit relevant information at year end as part of the declaration process.

Board appointments are based on merit and objective criteria, including an analysis of the match of a candidate to skills areas where the Board determines particular expertise or depth is needed. In accordance with the UK Governance Code, we have a Board diversity policy. But aspiration is balanced with needs and circumstances.

Board diversity as at 31 March 2025

Chair and Non-executive Directors' tenure



Board nationality

In 2024/25 it included aspirations on ethnicity and gender representation which align with the targets set by the FCA, and an additional aspiration of 50% gender and ethnic diversity on our Board, which was not met in 2024/25 as we had 45.5% gender and ethnic diversity on the Board. As of 1 September 2025, our gender, nationality, ethnicity and tenure of service percentages will change with the addition of Zoë Yujnovich to the Board. The percentages will change again in mid-November when John Pettigrew retires from the Board. Thus, we believe that point in time reporting is not particularly meaningful. Rather, it is the trends in these factors – and close examination of the business qualifications of our Directors – that are the meaningful way to determine how well the Board is undertaking renewal.

In accordance with Listing Rule 6.6.6R(10), as at 31 March 2025, the numerical data on the gender identity and ethnic background of our Board and Group Executive Committee is set out in the tables below.

Gender	Number of Board members	Percentage of the Board	Number of senior positions on the Board[1]	Number in executive management[2]	Percentage of executive management[2]
Men	7	63.6	3	8	53.8
Women	4	36.4	1	6	46.2
Not specified/ prefer not to say	–	–	–	–	–

Ethnicity	Number of Board members	Percentage of the Board	Number of senior positions on the Board[1]	Number in executive management[2]	Percentage of executive management[2]
White British or other White (including minority-white groups)	9	81.8	4	13	92.3
Mixed/ Multiple Ethnic group	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/ Caribbean/ Black British	2	18.2	–	1	7.7
Other ethnic group	–	–	–	–	–
Not specified/ prefer not to say	–	–	–	–	–

1 Senior positions on the Board refer to the Chair, Chief Executive, Chief Financial Officer and Senior Independent Director.

2 Executive management comprises the Group Executive Committee, including the Group Company Secretary. The gender balance of senior management and their direct reports can be found in the Our people section on page 53.

Paula Rosput Reynolds
Chair of the People & Governance Committee

14 May 2025

Audit & Risk Committee report

Iain Mackay
Chair of the Audit & Risk Committee

Key activities during the year

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

Composition

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

Committee members

Iain Mackay (Chair)
Jacqui Ferguson
Ian Livingston

Former Committee members

Jonathan Silver[1]

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

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

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

Financial reporting and accounting judgements

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

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

External audit tender

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

External Quality Assessment (EQA)

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

Risk management and internal controls

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

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

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

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

Iain Mackay
Chair of the Audit & Risk Committee

14 May 2025

Committee financial experience

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

Fair, balanced and understandable

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

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

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

Significant issues and judgements relating to the financial statements

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

Matters considered	Factors and reasons considered, including financial outcomes
US environmental remediation provisions	• In September 2024, November 2024 and May 2025, the Committee reviewed the accounting for the £2.065 billion of environmental remediation provisions, including the judgements and estimates relating to the net £146 million of exceptional provision decreases relating to legacy New York manufactured gas plant sites and a discount rate change. The Committee discussed the Group's engagement with the Environmental Protection Agency, the New York State Department of Environmental Conservation, developers, community and other stakeholders in determining future remediation approaches. The Committee reviewed and approved the classification of the cost decreases related to these sites as exceptional in accordance with the Group's exceptional items framework and noted the environmental provision disclosures contained within notes 5, 26 and 35 to the financial statements.
ESO sale to the UK Government	• In October 2024, ESO was transferred into public ownership and began to operate under the National Energy System Operator's (NESO's) licence. The assets and liabilities of ESO were presented as held for sale in the half-year financial statements prior to completion of the sale. The disposal realised total consideration of £673 million that resulted in a £187 million gain on disposal classified as exceptional. The Committee reviewed the gain on disposal calculation and related disclosures in note 10 to the financial statements. The Committee approved the classification of the gain as exceptional in accordance with the Group's exceptional items framework.
National Grid Renewables and Grain LNG: held for sale assessments	• In September 2024, the Committee reviewed and agreed with management's evaluation that National Grid Renewables and Grain LNG had met the criteria to be classified as held for sale under IFRS 5 and that neither company should be treated as a discontinued operation, given they are not considered to be separate major lines of business or geographical areas of operation. The Committee further agreed with management that no impairment losses should initially be recognised on classification of National Grid Renewables and Grain LNG as held for sale in the half-year financial statements. • On 24 February 2025, we announced that we had agreed to sell National Grid Renewables US onshore renewables business for proceeds of approximately $1.74 billion to Brookfield Asset Management and its institutional partners, including Brookfield Renewable Partners. The transaction is subject to customary consents and regulatory approvals and is expected to close in the first half of the financial year ending 31 March 2026. At the year-end, management assessed that a £31 million impairment loss should be recognised on remeasuring the NG Renewables disposal group to fair value less costs to sell and that it was appropriate to classify this loss as exceptional. No impairment losses were recognised in respect of Grain LNG. The Committee reviewed the results of management's impairment assessment of the National Grid Renewables disposal group and agreed with management's conclusions and the disclosures, within notes 5 and 10 of the financial statements.

Audit & Risk Committee report continued

Matters considered	Factors and reasons considered, including financial outcomes
Impairment of Community Offshore Wind (COSW)	• In March 2025, April 2025 and May 2025, the Committee considered the Group's investment in Community Offshore Wind (COSW) following the issuance of an Executive Memorandum by the US Federal Government in January 2025. The Executive Memorandum temporarily suspends offshore wind leasing and implements a review and pause of permitting. In light of these developments and further developments after the year-end which reaffirmed the view that offshore wind development is likely to be suspended for the foreseeable future, Management assessed that the Group's investment in COSW currently has negligible value and hence, a £303 million impairment should be recognised and classified as exceptional in line with the Group's exceptional items framework. The Committee carefully considered and agreed with Management's assessment and reviewed and approved the disclosures within notes 5 and 16 of the financial statements.
Disposal of remaining interest in National Gas (held through GasT TopCo Limited)	• In July 2024, agreement was reached to sell the 20% retained associate investment in GasT TopCo (the holder of the interest in National Gas) to the existing majority owners, a consortium of infrastructure investors led by Macquarie Asset Management following their exercise of the remaining option. The Committee reviewed the completion of the sale which took place on 26 September 2024. Based on the total sale proceeds of £686 million, the total gain on disposal after transaction costs was £25 million. The gain on disposal has been classified as exceptional within discontinued operations as disclosed within note 10 of the financial statements.
Application of the Group's exceptional items framework	• During the year, the Committee considered updates from management on the application of the Group's exceptional items framework which had been applied to certain events and transactions over the period, as set out in note 5 of the financial statements. • For each item, the Committee considered the judgements made by management, including challenging when transactions were concluded as not qualifying for exceptional treatment. • The Committee reviewed the disclosures relating to certain exceptional items, including the transaction and separation costs for the sale of National Grid Renewables and Grain LNG, the impairment of COSW, provisions for UK electricity balancing costs in relation to the ESO sale, and costs incurred relating to the Major Transformation Programme. • Based on the reviews performed, the Committee was satisfied the framework had been correctly applied throughout the year.

Financial reporting

Financial reporting and audit cycle

Going concern and viability

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

Statutory reporting framework policy

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

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

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

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

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

Key matters considered by the Committee

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

Matters considered	Factors and reasons considered, including financial outcomes
Financial and non-financial reporting	• Monitored and reviewed the integrity of the Group's financial reporting and disclosures and other formal documents relating to its financial performance, including this Annual Report and Accounts. • Considered the financial and non-financial disclosures contained within this Annual Report and Accounts, and reviewed and challenged the appropriateness of estimates and accounting policies. • Reviewed management's updates on IFRS accounting standards, including the exposure draft on regulatory assets and regulatory liabilities, as well as impacts of IFRS 18 the new standard on Presentation and Disclosure of Financial Statements. • Recommended to the Board management's key accounting judgements and key sources of estimation uncertainty for the 2024/25 half-year and full-year financial statements and the filing of other reports with the SEC containing financial information.
ESG reporting	• Considered the application of mandatory ESG reporting contained within this Annual Report and Accounts, including the International Sustainability Standards Board (ISSB) standards. • A joint meeting was held with the Safety & Sustainability Committee in September 2024 to discuss the Group's sustainability reporting and disclosure strategy. • Received an update on the preparation of the Responsible Business and TCFD disclosures. This included reviewing the Group's climate-related financial disclosures, as disclosed on pages 59 – 78. • Received a report from Deloitte regarding conclusions from its limited assurance over the Responsible Business disclosures integrated within this Annual Report on pages 42 – 58. • Recommended to the Board the Responsible Business disclosures as included in the Annual Report and Accounts and other ESG disclosures for approval.
ESO separation	• Reviewed the controls and accounting judgements relating to the sale of the ESO. • Approved the valuation of the gain on disposal reported in the financial statements. • Approved the classification of the movement in the provision for UK electricity balancing costs as exceptional in accordance with the Group's exceptional items framework.
APMs and RPMs	• Reviewed and approved the key judgements relating to the Group's Alternative Performance Measures (APMs) and Regulatory Performance Measures (RPMs). • Considered the effect of the International Accounting Standards Board's new standard, IFRS 18, on the presentation of the Income Statement and how certain management-defined performance measures will be brought into IFRS scope.
Internal controls	• Received regular updates on progress towards the Group's annual US regulatory attestation. • Discussed with management its programme of work to further strengthen the maturity of the Group's risk and controls framework. • Assessed the Group's approach to cyber security as part of our Enterprise Risk Management process. • Advised the Board that the Group's internal controls operated effectively in respect of financial, operational and compliance controls.
Risk oversight and viability statement	• Received regular updates on actions being taken to monitor and manage risk in line with the Group's risk appetite. • Considered confirmations from each of the business units and functions that risks are managed appropriately and that external influences and matters outside of the Group's control continued to be considered in their assessments. • Received an ESG update on the Group's transition risks and climate change commitments. • Considered cyber risk and mitigation strategies across the Group. • Monitored the internal control processes, and reviewed and challenged the going concern and viability statements, including testing for reasonable worst-case scenarios. • Advised the Board that the Group's risk management processes were effective and provided sufficient assurance.

Audit & Risk Committee report continued

External auditors	• Received a report from Deloitte at each meeting, including updates on the status of, and results from, the annual audit process and monitored the approach, scope and risk assessments within the external audit plan. • Considered Deloitte's reports to the Committee, including its reports on the 2024/25 half-year and full-year results. • Held private meetings with Deloitte and maintained dialogue throughout the year. • Assessed the professional scepticism, effectiveness and independence of Deloitte and provided oversight of non-audit services from Deloitte. • Recommended the reappointment of Deloitte as the Company's external auditors to the Board to be recommended to shareholders at the 2025 AGM.
Corporate audit	• Received regular updates on the 2024/25 corporate audit plan and any more significant findings, including themes and progress of actions identified, and approved the corporate audit plan for 2025/26. • Considered the result of the IIA's EQA on the Group's internal audit activity; the Corporate Audit function received the highest rating, generally conformed, from the IIA. • Approved the Corporate Audit Charter, which had been updated to reflect the evolving Global Internal Audit Standards.
Compliance, governance and disclosure matters	• Reviewed and approved the updated Terms of Reference for the Committee. • Received updates on ethics and business conduct, including whistleblowing, to support the oversight, management and mitigation of business conduct issues as part of the internal controls framework. • Discussed the whistleblowing procedures in place and confirmed internal procedures remained effective, noting the communications and training programmes provided during the year to employees, including additional communications in relation to fraud and bribery. The Committee also receives regular reports from the General Counsel, Litigation and Chief Compliance Officer to ensure appropriate investigation procedures and reporting channels are in place. • Received bi-annual updates on compliance with external legal requirements and regulations, including any non-compliance issues and steps being taken to improve compliance across the Group.

Risk management and internal controls

Risk management

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

Internal control and risk management effectiveness

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

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

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

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

Corporate audit

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

External audit

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

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

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

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

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

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

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

Effectiveness, quality and performance

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

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

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

During the year, the Committee:

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

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

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

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

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

Audit & Risk Committee report continued

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

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

Auditor independence and objectivity

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

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

Non-audit services

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

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

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

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

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

External auditors' fees

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

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

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

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

Safety & Sustainability Committee report

Earl Shipp
Chair of the Safety & Sustainability Committee

Key activities during the year

- Reviewed and approved for recommendation to the Board, the publication of the Group's 2024 Responsible Business Report
- Reviewed and recommended for approval to the Board, the Group's second CTP
- Reviewed performance against the ESG elements of the 2022, 2023 and 2024 Long-Term Performance Plan (LTPP) awards
- Oversaw progress against recommendations arising out of safety and health performance audits

Composition

The Committee comprises five independent Non-executive Directors. The Committee held four scheduled meetings during the year.

Committee members

Earl Shipp (Chair)
Jacqui Ferguson[1]
Anne Robinson
Tony Wood
Martha Wyrsch

1. Jacqui Ferguson joined the Committee on 5 July 2024

Our CTP and Responsible Business Charter can be found on our website nationalgrid.com/responsibility

Review of the year

Following on from the announcement of the Group's five-year framework and the scale of major capital projects that will be undertaken as part of this, as a Committee we recognise the increased scrutiny that will be required by the Group to ensure consistency of safety standards and procedures across our growing contractor base. We spent time in the year considering this alongside regular updates on performance against safety strategy and metrics.

We also spent time reviewing our progress against our climate targets, recognising the fast-moving macro environment and considering if and how this might impact the Group. We welcomed Jacqui Ferguson as a member in July 2024 who, along with other members of the Committee has visited various operational sites throughout the year to truly get a feel for the culture and safety standards across the organisation.

Sustainability

National Grid plays a central role in the clean energy transition and, as such, the Committee spends time overseeing the Group's Responsible Business strategy, considering the impact of the Group's operations on the environment, workforce, communities and other stakeholders.

During the year, the Committee monitored progress against the Group's sustainability targets and metrics, discussing our Scope 1, 2 and 3 emissions targets, and considering any factors which may influence the Group's ability to meet these. The Committee carefully considered these targets in line with the Group's strategic priorities and stakeholder expectations.

During the year, the Chief Sustainability Officer, Finance and ESG teams kept the Committee informed of emerging regulations, including the International Sustainability Standards Board (ISSB) standards, CTP reporting, and the EU's Corporate Sustainability Reporting Directive (CSRD).

The Committee discussed actions being taken to enhance the way the Group reports on sustainability data and performance. The Committee considered the impact of the Group's evolving disclosures on investor sentiment to ensure our commitments are reflective of the changing and uncertain environment we are operating within. The Committee also considered how the Group's emissions trajectory would be impacted following the sale of National Grid Renewables, which the Company announced in February 2025.

Further information on our performance and progress against our Responsible Business disclosures can be found on pages 42–58.

Safety, wellbeing and asset protection

This year, focus remained on strengthening safety practices and supporting our people to work safely and efficiently in increasingly complex environments.

The Committee oversaw the progress and implementation of lessons learned from fatalities over the past few years and noted the targeted focus on small, remote-working crews and tighter oversight of these teams across Business Unit plans. The impact of this work has been encouraging, with progress being made in this area. Contractor safety remains a critical area of interest considering the significant role they play in the Group's delivery model. The Committee followed developments in this space, including the introduction of a new Group Contractor Management Standard which sets out clearer expectations and more consistent approaches to contractor oversight.

The Committee also considered the results of the Group's 2024 Safety Culture Survey. The results showed an improvement in employee sentiment, reflecting steady progress towards a more proactive safety culture.

The Committee acknowledged the strengthening of Group-level leadership in Safety, Health and Wellbeing following the appointment of a new Director of Safety, Health and Wellbeing after the previous Group Director's retirement. This change aims to enhance focus and clarity in delivering safety and wellbeing outcomes. To support this transition, an independent external review of the Group's health and safety management approach was conducted. The review, carried out over 12 weeks, assessed the effectiveness of the Group's health and safety management system against global best practices. It identified five key recommendations to improve alignment and consistency between Group and Business Unit teams. The Committee will monitor the implementation of these recommendations over the coming year

The Committee continues to consider the implications of ongoing extreme weather events. The frequency of storms in the UK remained high with Storm Darragh requiring our biggest ever restoration effort. The Committee was hugely grateful for the incredible effort from the workforce who aided in the restoration and worked around the clock to reconnect power supplies and support our customers. Severe snowfall in the US also presented operational challenges and the Committee received updates on how climate adaptation and asset resilience efforts are being strengthened, including in areas such as wildfire ignition, storm response, and wind-related risks.

Earl Shipp
Chair of the Safety & Sustainability Committee

14 May 2025

Finance Committee report

Ian Livingston
Chair of the Finance Committee

Key activities during the year

- Considered the Group's financing strategy in light of the new five-year framework, including c.£60 billion of capital investment over 2024/25 to 2028/29. Approved the comprehensive financing plan announced alongside the five-year framework in May 2024, including the £7 billion Rights Issue
- Reviewed the five-point risk appetite framework for the Treasury risks under the Committee's remit and considered the quantitative measures for these risks
- Reviewed the processes and controls operated by the Treasury team as it expands its capability and capacity to support delivery of the Company's new five-year financial framework
- Considered the Group's Tax position, in light of the changing political landscapes in the UK and US
- Reviewed the rates and inflation hedging strategies for the Group's debt portfolio

Composition

The Committee comprises three independent Non-executive Directors and two Executive Directors. During the year, the Committee held three scheduled meetings and one ad hoc meeting.

The Committee welcomed Jonathan Silver as a member in July 2024.

Committee members

Ian Livingston (Chair)
Andy Agg
Iain Mackay
John Pettigrew
Jonathan Silver[1]

1. Jonathan Silver joined the Committee on 5 July 2024

Review of the year

This year the Finance Committee continued to support the Group's strategy by monitoring the financing policy and financial risk appetite, taking into account the changing external macro environment. The Committee gave particular focus to the Group's financing strategy, as well as considering the wider engagement with investors and credit rating agencies, both in advance of and following completion of the £7 billion Rights Issue in May 2024.

Treasury

During the year, the Committee reviewed and updated the Finance Committee Treasury Policy Framework and Delegations of Authority, ensuring that these governance documents continue to align with the Group's financing objectives and increasing capital expenditure.

The Treasury function updates the Committee on its activities at each meeting, providing updates on debt issuances at both holding company and operating subsidiary level.

At the time of the Rights Issue, the Committee approved appropriate short-term increases to the Company's counterparty risk policy limits to enable the investment of the Rights Issue proceeds, and also recommended the allocation of around £700 million of Rights Issue proceeds to refinance two of the Company's outstanding hybrid bonds at their first call dates.

The Treasury function updated the Committee on the issuance of new debt by the US holding company and two of the US operating subsidiaries. This debt was issued as part of the Company's strategy to smooth its debt issuance during 2025 and 2026 following the Rights Issue, and remain active in the debt capital markets.

As mentioned in my report last year, we had discussed with management its plans to increase the capability and capacity of the Treasury function given our higher capital requirements. PwC has supported this, undertaking a review into Treasury's processes and controls, to ensure that the function is equipped to support the Company's five-year framework. The review found there to be a strong culture of proactive risk management, and made recommendations to improve the efficiency and effectiveness of the Treasury function, which the Committee will monitor.

Insurance

The objective of the Group's insurance strategy is to facilitate broad protection of our businesses across the UK and US in an efficient manner. The Committee reviews and assesses this strategy, to ensure that it allows the Company to operate within the Group's approved risk tolerance and appetite. While we approach a softening of insurance markets in 2025, the Committee will continue to consider the Group's reinsurance purchasing strategy with the aim of achieving longer-term stability of both capacity and pricing.

Tax

During the year, the Committee considered the Group's Tax Strategy, ensuring this aligns with the Group's risk profile and commitment to our strong reputation. Following the outcomes of the UK and US elections, we considered the evolving tax policy in the UK and US and the potential impact of incoming tax legislation from the new governments. The Committee also received updates on the ongoing audits in the UK and US.

Pensions

During the year, the Committee noted the funding positions for all six of the Company's UK Defined Benefit Pension plans. The Company reached agreement with Ofgem regarding funding support, via Ofgem's Pension Deficit Allocation Methodology process, for three subsidiary pension arrangements in 2025. The Committee spent time discussing the pension implications arising out of the creation of the National Energy System Operator (NESO). The Committee also discussed the US Defined Benefit Pension Plans and other post-employment benefits (OPEB) and received updates on their funding positions and on the investment returns for the Pension Plans. The Committee received updates on the work of the Retirement Plans Committee to monitor and mitigate the investment, liability and governance risks associated with Pension and OPEB risks.

Looking forward

In the coming year, the Committee will continue to oversee the Group's robust tax governance standards and monitor legislative changes. It will also maintain oversight of the ongoing delivery of the financing strategy and management of risk for each area within its remit, in particular noting the impact of external markets and events on these.

Ian Livingston
Chair of the Finance Committee

14 May 2025

Directors' Remuneration Report

Martha Wyrsch
Chair of the Remuneration Committee

Key activities during the year

- Stakeholder consultation and development of 2025 Directors' Remuneration Policy
- Consideration of the Rights Issue on remuneration
- Ensure remuneration supports the capital investment plan delivery

Composition

The Committee comprises four independent Non-executive Directors. During the year, the Committee held four scheduled meetings and two ad hoc meetings.

Committee members

Martha Wyrsch (Chair)
Ian Livingston
Iain Mackay
Anne Robinson

Review of the year

I am pleased to present the Directors' Remuneration Report (DRR) for the year ended 31 March 2025.

This year has seen significant progress and strategic change for National Grid and our results demonstrate excellent execution against our key priorities. In May 2024 we successfully completed the £7 billion Rights Issue underpinning our ability to deliver our five year, £60 billion investment plan at pace. Delivery is well underway, in December 2024 we published the RIIO-T3 business plan and in May 2025, there is a Building our Energy future investor event where we showcase the progress we are making on the delivery of major capital projects across the UK and US.

During the year, the Committee has been focused on ensuring that our remuneration strategy supports the business to deliver the capital investment plan. This year also presented the opportunity to review our Directors' Remuneration Policy (Policy), which was last approved in 2022 and examine how it might evolve. As we undertook this review, we sought to ensure that the best interests of all our stakeholders today and over the next few years are properly addressed and we engaged widely with shareholders and other key stakeholders. I'd like to thank those who participated in this process for their feedback and significant support, which is covered in further detail later in this letter. The Committee concluded that while the broad framework of the Policy remained appropriate, some changes were necessary to ensure that the Policy remains fit for purpose to support our delivery of a step-change in critical energy infrastructure both in the UK and US. These deliverables are essential to support our energy transition and growth objectives.

The Policy changes we are proposing are reflective of the current market and are essential to ensuring delivery of our ambitious strategic plan. The attraction, retention and motivation of excellent leadership to deliver our growth plans over the short to medium term will help ensure long-term value is delivered to all of our key stakeholders. National Grid's Policy has not materially changed for over a decade, and we are taking this opportunity to create a competitive Policy that will see us into the future.

Our 2025 Policy renewal

Shareholder engagement

During the year, I wrote to shareholders (representing c.50% of the total shares in issue) and other key stakeholders to discuss the proposed changes to the 2025 Directors' Remuneration Policy. We appreciated the thoughtful and constructive comments we received. Our proposed changes to the Policy reflect the current market and adjustments necessary to ensure delivery of our ambitious strategic plan. They will help ensure long-term value is delivered to all of our key stakeholders. In light of the positive support which we received from our major shareholders, no substantive changes were required to our proposals.

Total remuneration positioning

National Grid has performed on its growth and investment plans, delivering a 101% total shareholder return over the 10-year period to date and outperforming the FTSE 100 index. Further, following the strategic portfolio repositioning, the Company has increased in size and changed structure. Our focus as a business is to continue on this strong growth trajectory. In May 2024, we announced our new five year financial framework which includes capital investment of around £60 billion over the five years to March 2029, representing a near two-fold increase to the investment compared to the prior five years.

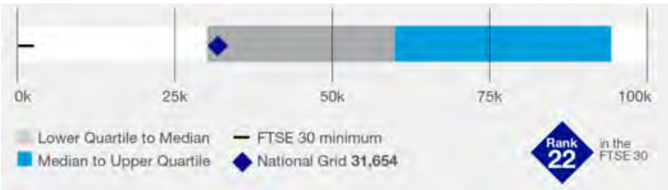
During the development of the Policy, the Committee considered whether the current pay comparator group of the FTSE 11–40, set in 2007/08, remained appropriate. Following a detailed review, we concluded that the comparator group should instead be the FTSE 1–30 (FTSE 30), having been a constituent of the FTSE 30 for over 20 years, this better reflects the size and complexity of National Grid and places us between the lower and the upper quartile of the group when measured by market capitalisation, revenue and number of employees (as shown in the charts on the following page).

Directors' Remuneration Report continued

FTSE 30 market capitalisation

FTSE 30 revenue

FTSE 30 number of employees

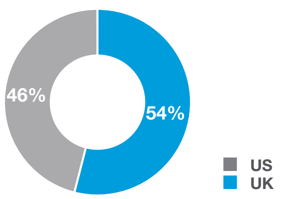


Note: FTSE 30 data as at 31 March 2025 and quartiles exclude National Grid.

Other relevant factors were also considered such as the scale of our investment plans and competition for talent in the industry both in the UK and USA. As shown in the diagram below, the US accounts for c.46% of our asset base.

2024/25 asset base

Geographical split



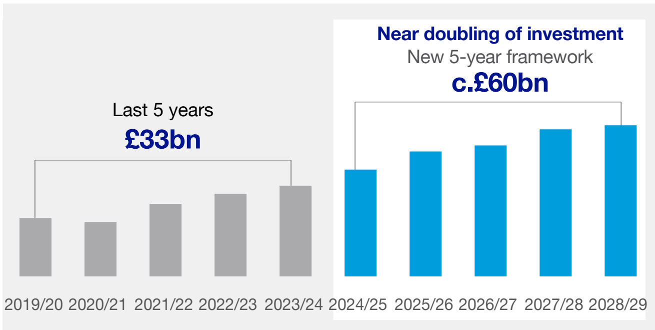
The Committee believes that pay benchmarking alone does not provide sufficient rationale for proposing increases and, as such, the recommended changes are not driven by this change of comparator group. The proposals we are bringing forward are aimed at supporting the delivery of the business strategy in an organisation which has grown significantly in size and complexity.

When looking at some of our main KPIs, over the last decade we have:
- Increased our regulated assets by 62% to £60 billion;
- Increased our capital investment by 183% to £9,847 million; and
- Increased our total number of employees by c.7,000 to 31,654 employees.

In addition to growing in size, we have grown in complexity, having undergone a strategic transformation which started in 2021. We have made changes to our asset mix with a shift towards electricity (which is a higher growth area). Examples of how our structure has changed in the last five years include:
- Acquired Western Power Distribution, the UK's largest electricity distribution network operator for £7.8 billion;
- Sold our Rhode Island gas and electricity business in the US and our UK Gas transmission and metering business; and
- Awarded the Accelerated Strategic Transmission Investment (ASTI) projects. The scale and importance of these projects required us to add a new delivery unit, Strategic Infrastructure, into our corporate structure.

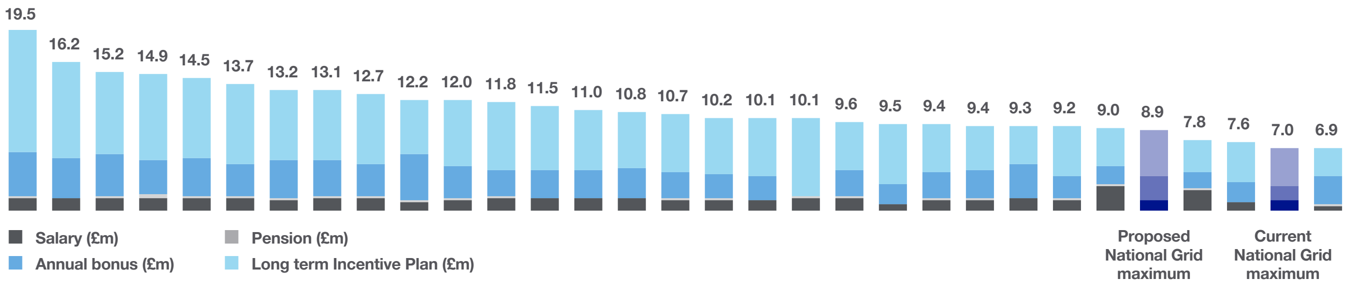
To support our unprecedented step up in capital investment, as shown below, investment is also required to ensure we are able to continue to attract and retain the talent needed to achieve our long-term goals.

c.£60 billion capital investment (2024/25 to 2028/29)

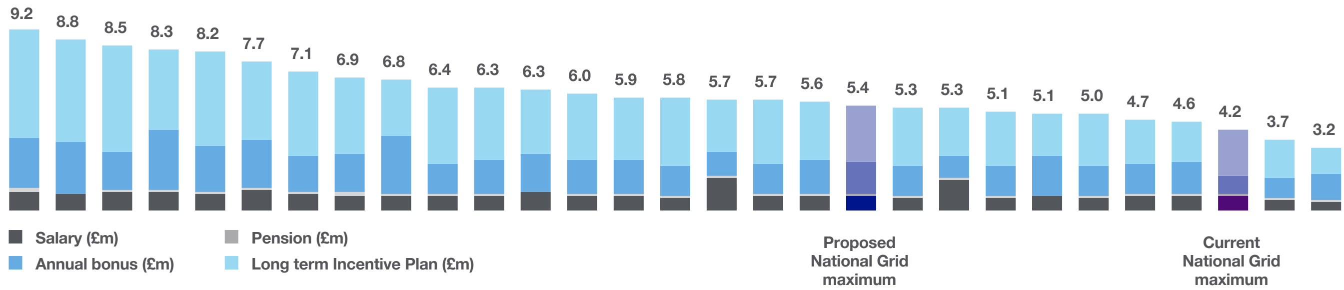


The total incentive opportunity for Executive Directors at National Grid has not increased in over a decade, with the current variable pay arrangements having been in place since 2014. It is also resulting in us experiencing pay compression issues with the level below Executive Director. The current incentive opportunities are uncompetitive and create challenges in attracting and incentivising global talent. We firmly believe that now is an appropriate time to address the clear shortfall in our variable pay arrangements, particularly the annual bonus opportunity. Against the FTSE 30, our maximum total remuneration is positioned significantly below the lower quartile, as shown in the charts on the following page. However, as mentioned, National Grid is consistently positioned around the middle of the FTSE 30 based on market capitalisation, revenue and number of employees.

CEO FTSE 30 total maximum remuneration



CFO FTSE 30 total maximum remuneration



Note: FTSE 30 data from Annual Reports published as of 2 April 2025.

The Committee is also mindful of the US talent market, given that over half of our revenue comes from our US operations. The US also continues to provide us with significant growth, demonstrated by £28 billion of our expected £60 billion investment being deployed in our US jurisdictions.

Annual Performance Plan (APP)

A fundamental principle of our Policy is to align Executive Directors' remuneration with the successful delivery of our ambitious strategic aims. There are a number of key annual targets that we will need to deliver in order to meet our five year financial framework. In direct support of this ambition, we are proposing to increase the maximum annual APP opportunity from 125% to 200% of salary for both Executive Directors. The proposed maximum APP opportunity would place Executive Directors at the lower quartile of the FTSE 30 group (and around the median of the FTSE 11–40, which was our previous peer group). This increase to APP quantum represents the first increase in bonus quantum since 2014.

APP deferral

Recognising the significant shareholding requirement which we already have in place, as well as the need to ensure that our remuneration package remains competitive, we are proposing to reduce the proportion of APP paid in shares after Executive Directors have met their shareholding requirement, from 50% to 33%. The part payment in shares that are held for two years facilitates the application of malus and clawback and aligns with shareholder experience. We note that both of our current Executive Directors materially exceed their shareholding requirements at 1,616% for the CEO and 978% for the CFO versus the shareholding requirements of 500% and 400% (of salary) respectively.

Long-Term Performance Plan (LTPP)

We remain fully committed to our existing remuneration philosophy of aligning executives to the long-term strategic goals of the Company. As such, we are proposing an increase in the maximum LTPP opportunity for the CEO from 350% to 400% of salary and for the CFO from 300% to 350% of salary, which would place the LTPP below the median of the FTSE 30 group.

Alongside this increase, we propose removing the current flexibility in the Policy that allows the Committee, in exceptional circumstances, to award an additional 50% of salary as incentive pay (which can, as a one-off arrangement, currently be applied across the APP and LTPP in any given year). It should be noted that the Committee has not used this flexibility since it was included in the Policy.

The initial LTPP grant of the awards under the new Policy will not be at the increased level. We will carefully consider the circumstances under which the maximum grant might be warranted alongside appropriate performance conditions and targets at that time. This change is intended to create a Policy which will provide the Committee with the necessary flexibility to attract and retain key talent going forward.

Other amendments to the Policy

As part of our holistic Policy review, the Committee is proposing other minor changes to ensure the effective operation of the Policy. These include updating the governance process for approving NED fees and creating flexibility for dividend equivalents to be paid in either cash or shares, as this flexibility already exists within our plan rules, approved by shareholders in 2021.

Directors' Remuneration Report continued

Rights Issue

As published in last year's Report, we made the decision to delay the target setting and calibration process (for both the APP and LTPP) until after the Rights Issue.

The targets for our 2024/25 APP and 2024 LTPP awards, reflecting the impact of the Rights Issue are disclosed on pages 129 and 132 respectively.

Our 2022 and 2023 LTPP awards have performance conditions that include financial measures of EPS and RoE, both impacted by the Rights Issue. As noted in last year's DRR, the Committee agreed to adjust the impacted financial targets on a nil gain/nil loss basis.

Wider workforce

The Committee considers the context of our wider workforce when evaluating Executive Directors' reward. We seek to ensure that colleagues receive fair and competitive reward packages that are aligned to the culture at National Grid.

We continue to maintain our commitment to paying a Living Wage as an accredited Living Wage employer in the UK.

In February 2024, I held a workforce engagement session to hear the views of employees across the organisation and ensure that they are considered at Committee meetings. The comments received from employees in attendance were insightful and constructive. These comments have been shared with the Committee and are being taken into consideration as we deliberate on issues that come to us. The Committee also engages with the wider workforce at all levels on an array of topics, including remuneration, and details of our Non-executive Director workforce engagement sessions can be found on page 106.

Alignment of remuneration with our business strategy

We align our performance-linked elements of remuneration (APP and LTPP) to our strategic priorities, long-term shareholder value and our vision for a secure, affordable and clean energy future, together with our sustainability commitments.

We are enhancing this alignment for 2025/26 by introducing a capital delivery measure to the APP to incentivise successful delivery of our capital investment plan.

Safety is also an important factor in remuneration decisions and in previous years the Committee has exercised its discretion when necessary following safety incidents.

CEO succession plan

I welcome the appointment of Zoë Yujnovich as our next CEO. She will succeed John Pettigrew who, after almost 10 years in post, has decided to retire from his role effective 16 November 2025.

Following a comprehensive succession planning process both the Board and John believe it is the right time to transition leadership. Zoë's proven track record makes her ideally qualified to guide us into our next phase of growth.

Zoë will receive a salary of £1,300,000 per annum. The remaining elements of her remuneration will be in line with the Directors' Remuneration Policy. On appointment, she will be granted share-based awards to replace remuneration foregone when leaving her previous employer. Further details of remuneration arrangements will be set out in the 2025/26 Directors' Remuneration Report.

Performance and remuneration outcomes during the year

Salary, pension and benefits

As published in last year's Report, John Pettigrew (Chief Executive) and Andy Agg (Chief Financial Officer) both received salary increases of 4.5%, effective 1 July 2024, a figure slightly below the overall UK wider workforce salary increase of 5.0%.

2024/25 APP

The 2024/25 APP was based on financial performance measures (70%), operational measures (15%), and individual objectives (15%) that reflect key business and operational performance goals.

Financial performance (70%)

The financial performance portion of the 2024/25 APP outturned at 98.3% of maximum, driven by achievement of 100% of maximum for Group Underlying EPS and 96.5% of maximum for Group RoE, both weighted equally. Both metrics delivered above target performance driven by strong performance from across the business, including benefits from new rate cases in the US, interconnectors arbitrage management and treasury management.

Financial performance was strong during the year with record levels of capital investment, Rights Issue delivery and successful completion of the Electricity System Operator (ESO) sale.

Operational performance (15%)

We continue to align the operational performance of our business with the delivery of impactful, lasting benefits to our stakeholders. For this period, operational measures were split equally in weight, linked to Group customer satisfaction (37.7% of maximum achieved), Group Colleague 'Delivering Results' index (25.0% of maximum achieved) and Group 'Inclusion' index (100% of maximum achieved). Performance against each of these measures was assessed against stretching goals, aimed at achieving material improvement in performance. On assessment of all metrics, performance was assessed as 54.2% of maximum.

Individual performance (15%)

15% of the 2024/25 APP was linked to individual objectives for Executive Directors. Assessment against these objectives resulted in performance outcomes of 100% of maximum for John Pettigrew and 90.0% of maximum for Andy Agg. Details of the targets and performance against these are set out on page 130.

Overall assessment

In reaching its overall decisions on the APP, the Committee considered the strong performance and delivery throughout the year across financial, operational, and individual objectives. The Committee concluded that the outcomes are appropriate in the context of performance achieved and determined that no discretion was required to the resultant APP formulaic outcome. Based on the overall performance of the Group, including the individual performance assessments of both John Pettigrew and Andy Agg, payouts under the plan for the period are 91.9% and 90.4% of maximum respectively.

Further details of performance versus the 2024/25 APP are outlined on **pages 129 and 130.**

2022 and 2024 LTPP

The performance period for the 2022 LTPP ended on 31 March 2025. Across the period, performance was based on financial measures (80%) and energy transformation measures (20%), as set out in the 2021/22 Annual Report.

The financial performance portion of the LTPP outturned at 73.0% of maximum, driven by achievement of 100% of maximum for Group Underlying EPS and 46.0% of maximum for Group RoE, both weighted equally. When assessing the degree to which the financial performance portion reflected the shareholder experience and the management's performance against targets set, the Committee noted that the financial outcome would be significantly impacted by exceptional macro-economic factors during the period which were not anticipated when targets were set. The Committee has therefore calculated RoE by taking account of the impact of these exceptional macro economic factors on the RoE calculation. This results in 11.41% Group RoE, leading to 46.0% of maximum vesting for this portion of the award. The Committee also considered the impact on Group EPS and noted that whilst these impacts reduce the Group EPS outturn figure they did not impact the vesting amount. The Committee is satisfied that the overall LTPP vesting outturn also reflects underlying business performance, the shareholder experience and management performance against the targets set. Details of this are set out on pages 130 and 131.

The energy transformation portion of the LTPP outturned at 89.5% of maximum, driven by achievement of 100% of maximum for Scope 1 emissions and 79.0% of maximum for enablement of energy transformation, both weighted equally. The Scope 1 emissions outturn at maximum was driven by SF6 emission reductions, vehicle fleet emissions and Grain operation emissions reduction. The strong enablement of energy transformation performance was driven by energy efficiency programmes and distribution connections.

The resultant formulaic outcome of the 2022 LTPP was 76.3% of maximum. When reviewing the formulaic vesting outcome, the Committee considered the broader context of shareholder experience and the external environment to determine whether the vesting levels were appropriate. The Committee determined that the levels of vesting reflected the strong performance, both financially and against strategic and operational targets, and that no discretion should be applied. The Committee also evaluated whether there were any potential windfall gains over the period and determined that no adjustments were necessary.

As noted in last year's DRR, we took the decision to delay the grant of the 2024 LTPP until after the outcome of the Rights Issue was finalised (in order to neutralise the dilutive effect of the Rights Issue on the outstanding awards and options). The 2024 LTPP was awarded in July, and the performance will be assessed over the three-year period ending 31 March 2027. The performance measures are:

- Cumulative three-year Underlying Group EPS (40%);
- Group RoE (40%); and
- Energy transformation measures (20%).

The targets for this award, along with details of LTPP awards which vested during the year can be found on pages 130 – 132.

Single total figure of remuneration

The single total figures of remuneration for 2024/25 for both John Pettigrew and Andy Agg are £6.097 million and £3.678 million respectively.

These outcomes represent the strong business performance across the period, supported by the outcomes under the 2024/25 APP. John Pettigrew and Andy Agg supported the delivery of long-term value creation during a time of increased external pressures, as highlighted by the positive outcomes under the 2022 LTPP.

Policy implementation in 2025/26

Salary, pension and benefits

In reviewing the levels of fixed remuneration for the Executive Directors, the Committee considered the experience of the wider workforce. We felt it appropriate to increase the salaries of the Executive Directors at levels on par with increases provided across our wider workforce. Consequently, the Committee has awarded salary increases of 5.0% to John Pettigrew and Andy Agg, effective from 1 July 2025. This figure is on par with the wider UK and US workforce principles (5%). The wider workforce (non-union) salary budget increase is set at 4.0% plus a 1% for compression and market adjustment. Pensions and benefits remain unchanged.

2025/26 APP

For 2025/26, the maximum APP opportunity will be 200% of salary for both Executive Directors.

The APP will maintain the same financial measures (70%). The operational measures (15%) will include capital delivery and leadership of change measures to align the APP with our capital investment plan. Individual measures (15%) will be linked to individual objectives.

2025 LTPP

The 2025 LTPP award levels will be 350% of salary for John and 300% of salary for Andy. These levels remain consistent to the awards granted in 2024. The Committee considered the current operation of the plan to be effective and the performance measures for the 2025 LTPP are as follows:

- Cumulative three-year Underlying Group EPS (40%);
- Group RoE (40%); and
- Energy transformation measures (20%).

The Committee believes these measures appropriately incentivise participants in a manner that provides clear alignment with our financial and strategic vision, as we continue to seek to deliver value for our shareholders and work towards our energy transformation commitments.

Chair and Non-executive Director fees

Fees for the Chair and Non-executive Directors are being increased by 4.0%, effective from 1 July 2025.

Conclusion

I would like to thank shareholders for their input and engagement this year. We aim to maintain an open dialogue and look forward to receiving your support at the AGM on 9 July 2025.

Martha Wyrsch
Chair of the Remuneration Committee

14 May 2025

Directors' Remuneration Report

Summary of the approach taken for 2024/25 and the intended approach for 2025/26

Our current Directors' Remuneration Policy was approved at the 2022 AGM and will therefore require reapproval at the 2025 AGM. Our Directors' Remuneration Policy as set out in this report (the 2025 Directors' Remuneration Policy) will be put to shareholders for approval at the 2025 AGM to be held on 9 July 2025.

2024/25 remuneration outcomes are aligned to the delivery of our strategy and reflect strong business and individual performance during the year. Our approach for 2025/26 aims to continue to incentivise delivery of our strategic goals as we enter a new phase of growth at National Grid.

The 2025 Directors' Remuneration Policy is set out on **pages 138 – 146.**

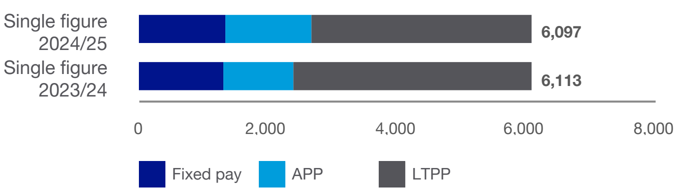
Annual report on remuneration

A comparison of the 2024/25 single total figure of remuneration to the previous year is set out below for the Executive Directors, John Pettigrew and Andy Agg. Both Executive Directors are UK based. Fixed pay consists of salary, pension and benefits paid during the respective financial years.

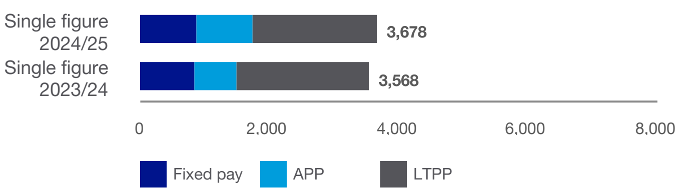
The 2024/25 single total figure of remuneration for John Pettigrew and Andy Agg is £6.097 million and £3.678 million and represent an achievement of 80.4% and 80.5% of the total maximum opportunity respectively.

These outcomes reflect strong annual performance delivery in 2024/25 and long-term value creation. The single total figure of remuneration is largely driven by the heavy weighting on long-term share awards which reflects the long-term nature of our business, making up to two thirds of total remuneration and around 80% of variable pay. The 76.3% vesting of the LTPP reflects strong performance against both our financial and energy transformation measures.

John Pettigrew (£'000)



Andy Agg (£'000)



Note: The single total figure of remuneration for 2024/25 is explained in the single total figure of remuneration table for Executive Directors and single total figure for 2023/24 has been restated to reflect actual share price for 2021 LTPP vesting in 2024 and all dividend equivalent shares, consistent with comparative figures shown in this year's single total figure of remuneration table.

	Implementation in 2024/25 (pages 128 - 137)	Implementation in 2025/26 (pages 147 - 149)
Salary	• John Pettigrew's and Andy Agg's salaries increased by 4.5% to £1,187,300 and £781,500 as of 1 July 2024 respectively – below the average increase of 5.0% across the UK wider workforce	• John Pettigrew's and Andy Agg's salaries will increase by 5.0% to £1,246,665 and £820,575 as of 1 July 2025 respectively – on par with the wider workforce principles (5%)
Pension and benefits	• John Pettigrew's and Andy Agg's pension cash allowance was 12% of salary for 2024/25, in line with the UK wider workforce • Other benefits remain unchanged	• Pension and benefits will remain unchanged
APP	See 2024/25 APP below	See 2025/26 APP below

APP

2024/25 APP

Maximum opportunity of 125% of salary for both Executive Directors

Performance measures (%) weighting	Outturn (% of max)
Group Underlying EPS (35%)	100 %
Group RoE (35%)	96.5 %
Operational (15%)	54.2 %
Individual (15%): John Pettigrew	100 %
Individual (15%): Andy Agg	90 %

2024/25 APP outcome

	% of Maximum	Actual (£'000)	Maximum (£'000)
John Pettigrew	91.9 %	1,349	1,468
Andy Agg	90.4 %	874	966

2025/26 APP

Maximum opportunity of 200% of salary for both Executive Directors

Measures for 2025/26:
- Group RoE (35%)
- Group Underlying EPS (35%)
- Operational measures – Capital delivery and effectiveness, Leadership of change (15%)
- Individual measures (15%)

Indicates an alternative performance measure

	Implementation in 2024/25 (pages 128 - 137)	Implementation in 2025/26 (pages 147 - 149)

LTPP

Implementation in 2024/25

2022 LTPP

Award levels were 350% of salary for the CEO and 300% of salary for the CFO

Performance measures (%) weighting	Outturn (% of max)
Underlying EPS (40%)	100 %
Group RoE (40%)	46.0 %
Reduction of Scope 1 emissions (10%)	100 %
Enablement of energy transformation (10%)	79.0 %

2022 LTPP outcome

	% of Maximum	Actual (£'000)	Maximum (£'000)
John Pettigrew	76.3 %	3,392	4,445
Andy Agg	76.3 %	1,913	2,507

Implementation in 2025/26

2025 LTPP

Award levels will remain at 350% of salary for the CEO and 300% of salary for the CFO

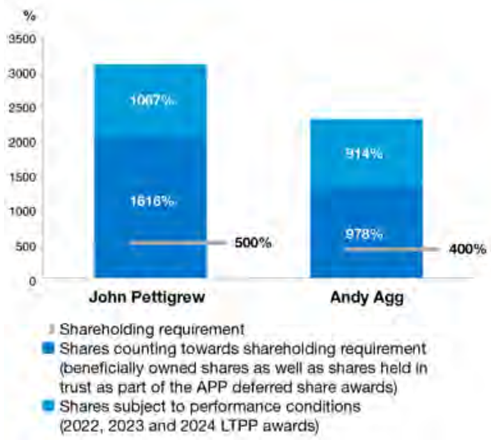
Measures for 2025 LTPP:

- Group RoE (40%)
- Group Underlying EPS (40%)
- Reduction of Scope 1 emissions (10%)
- Enablement of strategic growth initiative (10%)

Shareholding requirements

Implementation in 2024/25

John Pettigrew and Andy Agg have met their shareholding requirements



The above chart excludes shares subject to continued employment (shares held as part of the Sharesave scheme).

Implementation in 2025/26

Shareholding requirements remain unchanged

Non-executive Director fees

Implementation in 2024/25

All Non-executive Directors' fees, including the Chair, increased by 4.5% – below the average increase of 5.0% across the UK wider workforce

Implementation in 2025/26

- All Non-executive Directors' fees, including the Chair, will be increased by 4.0% – below the wider workforce principles (5%)

Directors' Remuneration Report continued

Statement of implementation of Policy in 2024/25

Statement of implementation of Policy in 2024/25

Content contained within a grey box indicates that all the information in the panel is audited

2024/25 remuneration implementation

Single total figure of remuneration – Executive Directors

The following table shows a single total figure of remuneration in respect of qualifying service for 2024/25, together with comparative figures for 2023/24. All figures shown to £'000:

	John Pettigrew		Andy Agg	
	2024/25	2023/24	**2024/25**	2023/24
Salary	**1,175**	1,125	**773**	741
Benefits	**40**	87	**25**	29
Pension	**141**	135	**93**	89
Total fixed pay	**1,356**	1,347	**891**	859
APP	**1,349**	1,062	**874**	674
LTPP	**3,392**	3,704	**1,913**	2,035
Total variable pay	**4,741**	4,766	**2,787**	2,709
Total remuneration	**6,097**	6,113	**3,678**	3,568

Notes:

Salary: John Pettigrew's and Andy Agg's salaries increased by 4.5% to £1,187,300 and £781,500 as of 1 July 2024 respectively – below the average increase of 5.0% across the UK wider workforce.

Benefits: This includes private medical insurance, life assurance, allowance under the Group's flexible benefits programme, travel and accommodation expenses, a fully expensed car or cash alternative and the use of a car and a driver when required. John Pettigrew received £12,000 for his company car allowance, £2,455 for life assurance, £1,208 for private medical insurance and £17,015 for the use of a car and driver for 2024/25 (2023/24: £70,848). Andy Agg received £12,000 for his company car allowance, £6,597 for life assurance, £2,613 for private medical insurance and £4,568 for taxable accommodation and travel expenses for 2024/25. A Sharesave option award was granted to John Pettigrew on 13 January 2025 and the benefit (approximately £7,500) of this award is included. There were no Sharesave options granted to Andy Agg during 2024/25.

Pension: Pension contributions for John Pettigrew and Andy Agg were 12% of salary for 2024/25.

LTPP: The 2022 LTPP is due to vest in July 2025. The average share price over the three months from 1 January 2025 to 31 March 2025 of 962.17 pence has been applied and estimated dividend equivalents are included. The value of the 2022 LTPP award is driven in part by the share price change of 10.0% from date of grant to date of vest and TSR of 9.5% over the three-year performance period. The 2021 LTPP figures (included in the 2023/24 column) have been restated to reflect the actual share price on vesting, the numbers of shares that vested due to the Rights Issue and all dividend equivalent shares. The number of shares that vested were impacted by the Rights Issue, as a result 418,303 shares vested for John Pettigrew and 229,837 shares vested for Andy Agg. As the vesting share price of 885.40 pence was lower versus the estimate of 1,043.70 pence (and the reduced dividend equivalent shares added for the dividend with a record date of 7 June 2024 with a dividend rate of 39.12 pence per share), the actual value at vesting was £240,345 lower than for the estimate published last year for John Pettigrew and £132,023 lower for Andy Agg.

Malus and clawback: The Committee considered whether any or all of an award should be forfeited, even if already paid, due to exceptional circumstances outlined in our Policy and determined that no action was required.

Total pension benefits

John Pettigrew and Andy Agg received a cash allowance in lieu of participation in a pension arrangement. There are no additional benefits on early retirement. The values of pension contributions, received during this year, are shown in the single total figure of remuneration table.

John Pettigrew has, in addition, accrued defined benefit (DB) entitlements. He opted out of the DB scheme on 31 March 2016 with a deferred pension and lump sum payable at his normal retirement date of 26 October 2031. At 31 March 2025, John Pettigrew's accrued DB pension was £111,699 per annum and his accrued lump sum was £335,096. No additional DB entitlements have been earned over the financial year, other than an increase for price inflation due under the pension scheme rules and legislation. Under the terms of the pension scheme, if he satisfies the ill-health requirements or he is made redundant, a pension may be payable earlier than his normal retirement date. A lump sum death in service benefit is also provided in respect of these DB entitlements.

2024/25 APP

For 2024/25 APP, financial measures represent 70% of the award and operational measures and individual objectives equally represent 15% each of the award similar to 2023/24. Payment of the APP award is made 50% in shares and 50% in cash. Shares (after any sales to pay associated tax) must be retained until the shareholding requirement is met, and in any event for a minimum of two years after receipt.

For financial measures, threshold, target and stretch performance levels are set by the Committee for the performance period and pay out at 0%, 50% and 100% of the maximum calculated on a straight-line basis. Operational measures have been assessed on a four-point scale (not met, partially achieved, achieved and over-achieved) based on quantitative targets set at the beginning of the year by the Committee. Target and stretch performance levels for the individual objectives are also predetermined by the Committee for the performance period, and an assessment of the performance relative to the target and stretch performance levels is made at the end of the performance year on each objective. Executive Directors have a maximum opportunity of 125% of salary for 2024/25.

APP – Financial performance

The financial measures (70%) were weighted equally between two measures – Group Underlying EPS and Group RoE. The Group has continued to deliver strong financial performance with record levels of capital expenditure, Rights Issue delivery and successful completion of the ESO sale.

The financial performance outcomes of the 2024/25 APP award are summarised in the table below:

Measure	Weighting (% of APP)	Threshold	Target	Stretch	Outcome (% of max)
Group Underlying EPS (pence)	35%	67.0	70.0	73.0	100%
			73.3		
Group RoE (%)	35%	8.2%	8.6%	9.0%	96.5%
			8.97%		
Total financial outturn	70%				98.3%

Notes:
Group Underlying EPS: Technical adjustments have been made which reduce the performance range (including threshold, target and stretch) by 1.0 pence. This reflects the net effect of currency adjustments, scrip issuances, US pension assumptions and US/UK pension interest.
Group RoE: Targets have been adjusted to reflect a change in the calculation methodology (approved by the Audit and Risk Committee) to reflect amortisation of goodwill and other indefinite life intangible assets (ILIs) over 20 years (see page 292). This increased the target by 1.1% from 7.5% to 8.6%.

APP – Operational performance

The operational measures (15%) were weighted equally between three key measures:

- Customer: Group customer satisfaction index;
- Colleague: 'Delivering Results' index; and
- Colleague: 'Inclusion' index.

Operational measures were assessed on a four-point scale (not met, partially achieved, achieved and over-achieved) based on quantifiable targets where possible and qualitative outcomes to reflect a balanced assessment of performance. Overall, there was a mixed performance against each measure with Inclusion goals being achieved and customer and delivering results scores being partially achieved. This resulted in a combined outcome of 54.2% of maximum.

Measure	Details	Assessment	Outcome
Customer: Group customer satisfaction index (5%)	Blend of customer scores across the business units all equally weighted: • Customer Relationship Index for New York and New England; • Quality of connections, Broad Measure of Customer Service and Major Connections Satisfaction Score for UK ET and UK ED; and • Customer output measures for NGV.	The customer scores for New York and New England were not met partly due to the impact of high bills for residential customers	**Not met**
		UK ET customer score was achieved due to prioritising in-year tactical actions including proactive New Year communications	**Achieved**
		UK ED customer score was not met partly due to Storm Darragh and the impact on customer satisfaction	**Not met**
		NGV customer scores have been achieved with strong performance with effective strategies to maximise interconnector arbitrage	**Achieved**
		Further detail on customer satisfaction can be found on page 50.	
			37.7%
Colleague: Group 'Delivering Results' index (5%)	Index in our annual employee engagement survey (Grid:Voice) that assesses the Company values, and measures how the Company has improved the culture and achieved its vision and strategic priorities for this year.	Group 'Delivering Results' was 25% (at threshold). The scores show a mixed picture across the business with only some business units achieving their targets. This highlighted the areas where we can direct more resources	**Partially met**
			25.0%
Colleague: Group 'Inclusion' index (5%)	Index in our annual employee engagement survey (Grid:Voice) that assesses whether employees feel included at National Grid.	Inclusion scores were achieved and showed that employees are valued, feel included and are able to be themselves at work	**Over-achieved**
			100%
Combined operational outcome			**54.2%**

APP – Individual objectives

In addition to the financial and operational goals outlined above, the Board approves annual individual performance for the Executive Directors in line with key operational and strategic priorities. As part of the process for assessing individual performance, the Chief Executive provided the Board with a comprehensive review of company performance and his individual contributions relative to the previously adopted goals. Upon assessment, the Board considered that the Chief Executive's performance had contributed significantly to the progress made across each of the goals. The Chief Executive undertook the same process for the Chief Financial Officer and presented his recommendations to the Committee in March 2025. The following table sets out the 2024/25 individual objectives together with associated performance commentaries and the Committee's assessment of the performance outcome for each of the Executive Directors:

Directors' Remuneration Report continued

Statement of implementation of Policy in 2024/25 continued

Individual objectives and performance summary – John Pettigrew	Outcome
Continue the journey to a Networks Plus company • Successful Rights Issue and launch of our refined strategy • Divested the ESO, completed the disposition of gas transmission, agreed sale of NGR and initiated sale of our Isle of Grain LNG facility • Delivered a record level of capital expenditure, on time, on budget and safely	100 %
Elevate the regulatory and public affairs profile of National Grid • Effected changes in leadership, staffing, strategy and activities of the regulatory and public affairs functions to increase impact • Enhanced cooperation and trust with Ofgem • Successfully agreed rate cases in New York and Massachusetts with 70% of our capital plan now agreed	
Address the challenges of true transformation • Digital transformation of US customer service functions, successfully converting all six million customers to a single platform • Undertook efforts to leverage the transformational potential of generative AI • Through NGV, maintained commitment to invest in technologies which will increase the automation and efficiency of grid operations	
Invest in Talent and Leadership • Achieved continued improvement in key metrics recorded via the culture diagnostic survey of all employees • Enhanced engagement with the various senior leadership groups, reinforcing the values driven culture and the importance of people • Continued to strengthen the Group Executive Committee with new executive hires and promotions	

Individual objectives and performance summary – Andy Agg	Outcome
Ensure financing decisions that deliver the Group strategy are well understood by the Board with strong external investor support • Successful Rights Issue and resulting share price performance • Five year frame launch met with positive market sentiment with investor focus on delivery of capex step-up • Investor perception metrics (Net confidence and Net Satisfaction scores) higher than pre Rights Issue and exceed peer benchmarks • Successful delivery of debt financing strategy	90 %
Deliver regulator outcomes in line with Board expectations and yield a positive investor reaction • NGET RIIO-T3 price control: Steady progress with submission positively positioned • MECO rate case filing: Supported delivery of a landmark outcome • Simplified the internal performance framework and introduced senior leader performance-focused sessions	
Deliver a step change in organisational capabilities that enable Group-wide efficiency targets to be met, and facilitate capital growth to time and cost • Strong progress on the Enterprise Business Services strategy and finalised the delivery model • Delivered efficiency savings ahead of target • Strengthened financial controls, including increases in automation and lower level of deficiencies than prior year • A number of transactions successfully completed during the year along with the NGR sale announcement	
Build capability: Drive the identification and development of talent into the right pipelines and succession for CFO • Senior team succession planning well developed to ensure full coverage of two successors over different timelines • Full utilisation of leadership development programmes	

2022 LTPP

Performance conditions

The 2022 LTPP will vest on 1 July 2025 and was based on two equally weighted financial measures, Group Underlying EPS (40%) and Group RoE (40%). The remaining 20% weighting was split equally between two non-financial measures, Reduction of Scope 1 emissions (10%) and Enablement of energy transformation (10%). The financial targets and weightings of the 2022 LTPP below are the same for both Executive Directors.

As detailed in the Chair letter, the outturns of the 2022 LTPP are reflective of the business' performance over the period and are summarised below. During the performance period, we have delivered record levels of capital expenditure and, with increased clarity about the scale of investment ahead of us, successfully raised £7 billion of equity through a Rights Issue. We have maintained strong earnings against a complex landscape of macroeconomic and geopolitical challenges, navigated the start of UK ED's five year RIIO-2 regulatory framework, alongside new rate cases in the US and all while maintaining a continued focus on the need to drive efficiency. The outturns are summarised below:

Performance measure	Weighting	Threshold 20% vesting		Maximum 100% vesting	Outcome (% of max)
Cumulative three-year Underlying Group EPS	40 %	185p	213p	203p	100%
Group RoE	40 %	11.0%	11.4%	12.3 %	46.0%
National Grid Scope 1 emissions	10 %	-56ktCO_2e	-139ktCO_2e	-132ktCO_2e	100%
Enablement of energy transformation: Strategic initiatives (Scope 2 and 3)	10 %	Four strategic initiatives assessed on a four-point scale	79.0%		79.0%
					76.3%

Notes:

Group RoE: Underlying EPS and Group RoE performance targets were adjusted for the impacts of the Rights Issue to ensure participants were in the same position as pre-Rights Issue. In addition, EPS targets were further adjusted to reflect the change in the underlying EPS definition to exclude the impact of UK regulated Deferred Tax. This change has a positive impact on underlying EPS but is economically neutral in the medium to long term. EPS targets were adjusted on a nil gain / nil loss basis, it does not impact our performance conditions for Group RoE. In addition, RoE targets have been adjusted to reflect a change in the calculation methodology (approved by the Audit & Risk Committee) to reflect amortisation of goodwill and other indefinite life intangible assets (ILIs) over 20 years (see p292).

Vesting

The performance period for the 2022 LTPP ended on 31 March 2025. Across the period, performance was based on financial measures (80%) and energy transformation measures (20%), as set out in the 2021/22 Annual Report.

The overall outcome of the 2022 LTPP was 76.3% of maximum, with 58.4% of the total award vesting linked to financial measures, driven by achievement of 100% of maximum for Group Underlying EPS and 46.0% of maximum for Group RoE, both weighted equally; 17.9% of the total LTPP award vested in relation to the energy transformation measures, driven by achievement of 100% of maximum for Scope 1 emissions and 79.0% of maximum for enablement of energy transformation, both weighted equally.

As highlighted in the Chair letter, when assessing the degree to which the financial performance portion reflected the shareholder experience and the management's performance against targets set, the Committee noted that the financial outcome would be significantly impacted by exceptional macro-economic factors during the period which were not anticipated when targets were set. The Committee has therefore calculated RoE by taking account of the impact of the exceptional macro economic factors during the period on the RoE calculation. This results in 11.41% Group RoE, leading to 46.0% of maximum vesting for this portion of the award. Taking account of this impact reduced the Group EPS outturn figure but did not impact the associated vesting outcome.

The Scope 1 emissions outturn at maximum was driven by SF6 emission reductions, vehicle fleet emissions and Grain operation emissions reduction. The strong enablement of energy transformation performance was driven by energy efficiency programmes and distribution connections. The Committee is satisfied that the overall LTPP vesting outturn also reflects underlying business performance and the shareholder experience. This results in the 2022 LTPP outturn being 76.3% of maximum.

The amounts due to vest under the 2022 LTPP for the performance period that ended on 31 March 2025 are included in the 2024/25 single total figure table on page 128 and are shown in the table below. The current share price valuation is an estimate based on the average share price over the three months from 1 January 2025 to 31 March 2025 of 962.17 pence and the proposed 2024/25 final dividend with record date of 30 May 2025, subject to shareholder approval, is included. The total number of shares subject to awards which vest (after any sales to pay associated income tax and social security), including dividend equivalent shares are subject to a two-year holding period.

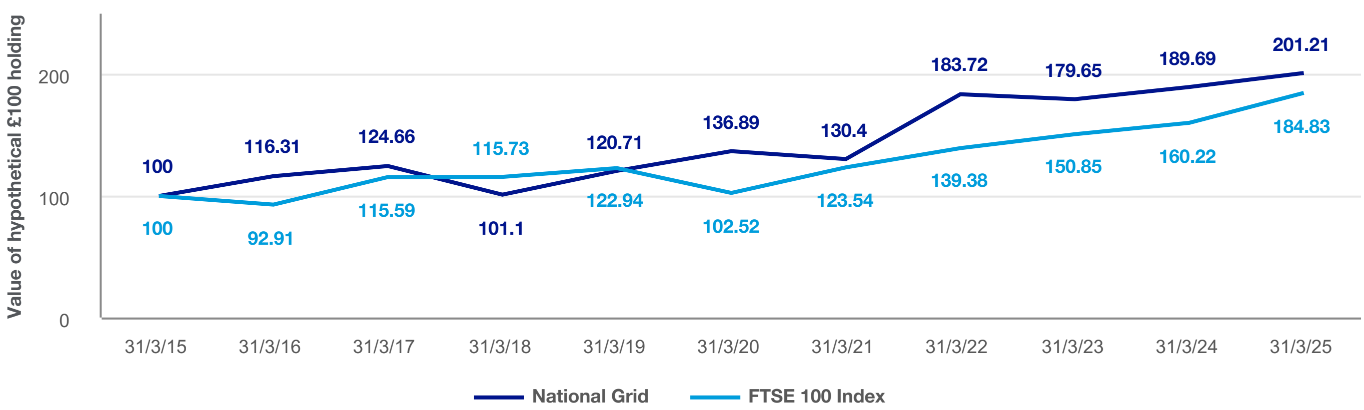
The Committee considered wider business factors, such as underlying financial performance, ESG considerations, potential windfall gains and shareholder experience, when determining the final outturn for the 2022 LTPP and were comfortable that no adjustments were required.

	Shares awarded	Rights Issue adjustment	Total number of shares	Performance outcome (% of maximum)	Vested shares based on performance	Face value of the award at grant (£'000)	Total value (£'000)
John Pettigrew	357,606	38,263	395,869	76.3	302,095	3,230	3,392
Andy Agg	201,727	21,584	223,311	76.3	170,413	1,822	1,913

Assessment of National Grid shareholder returns

National Grid plc's 10-year annual TSR performance against the FTSE 100 Index since 31 March 2015 is shown below and illustrates the growth in value of a notional £100 holding invested in National Grid plc on 31 March 2015, compared with the same invested in the FTSE 100 Index. The FTSE 100 Index has been chosen because it is a widely recognised performance benchmark for large companies in the UK and it is a useful reference to assess relative value creation for National Grid plc shareholders. Over the last 10-year period, National Grid plc's TSR is 101% versus the FTSE 100 Index at 85%, demonstrating sustainable long-term value for our shareholders.

Total Shareholder Return (£)



Directors' Remuneration Report continued

Statement of implementation of Policy in 2024/25 continued

2024 LTPP

Performance conditions

For the 2024 LTPP, the performance measures comprise two equally weighted financial measures totalling 80% and two equally weighted energy transformation measures totalling 20% over the three-year performance period, as outlined in the table below.

Performance measure	Weighting	Threshold 20% vesting	Maximum 100% vesting
Cumulative three-year Underlying Group EPS	40 %	216p	234p
Group RoE	40 %	8.70 %	9.95 %
Reduction of Scope 1 emissions	10 %	6%	12 %
Enablement of energy transformation: Strategic initiatives (Scope 2 and 3)	10 %	Four strategic initiatives: US energy efficiency programmes, low-carbon generation connections, US future of gas strategy, grid connections reform.	

Notes: Vesting between threshold and maximum will be on a straight-line basis.

Conditional awards made during the year

The face value of the awards is calculated using the volume weighted average share price at the date of grant. The share price at the date of grant on 23 July 2024 was 948.45 pence. The 2024 LTPP will vest on 1 July 2027. The total number of shares subject to awards which vest (after any sales to pay associated income tax and social security), including dividend equivalent shares are subject to a two-year holding period following vesting.

	Basis of award (% of salary)	Number of shares	Face value (£'000)	Proportion vesting at threshold performance	Performance period end date
John Pettigrew	350 %	438,141	4,156	20 %	31 March 2027
Andy Agg	300 %	247,193	2,345	20 %	31 March 2027

Statement of Directors' shareholdings and share interests

The Executive Directors are required to build up and hold a shareholding from vested share plan awards until their shareholding requirement is met. Until this point, Executive Directors will not be permitted to sell shares, other than to pay income tax liabilities on shares just vested or in exceptional circumstances approved by the Committee. The following table shows the position of each of the Executive Directors in relation to the shareholding requirement, including their connected persons. The shareholding is as at 31 March 2025 and the salary used to calculate the value of the shareholding is the gross salary as at 31 March 2025. The table also presents the number of shares owned by the Non-executive Directors, including their connected persons.

Both John Pettigrew and Andy Agg have met their shareholding requirement.

Further shares have been purchased in April and May 2025 on behalf of each of John Pettigrew and Andy Agg as part of the Share Incentive Plan (SIP) (an HMRC tax-advantaged all-employee share plan), thereby increasing the beneficial interests by 29 shares (15 in April and 14 in May) for both John Pettigrew and Andy Agg. There have been no other changes in Directors' shareholdings between 1 April 2025 and 14 May 2025.

Directors	Share ownership requirements (multiple of salary)	Number of shares/ADSs owned outright (including connected persons and SIP for Executive Directors)	Value of shares held as a multiple of current salary (excluding closely connected persons)	Number of options granted under the Sharesave Plan	Conditional share awards subject to performance conditions (LTPP 2022, 2023 and 2024)
Executive Directors					
John Pettigrew	500 %	1,900,220	1,616 %	8,889	1,254,813
Andy Agg	400 %	756,754	978 %	4,777	707,894
Non-executive Directors					
Paula Rosput Reynolds (ADSs)	—	22,622	—	—	—
Anne Robinson (ADSs)	—	—	—	—	—
Earl Shipp (ADSs)	—	6,046	—	—	—
Iain Mackay	—	—	—	—	—
Ian Livingston	—	2,374	—	—	—
Jacqui Ferguson	—	—	—	—	—
Jonathan Silver (ADSs)	—	—	—	—	—
Martha Wyrsch (ADSs)	—	25,000	—	—	—
Tony Wood	—	2,583	—	—	—

Notes:

John Pettigrew: On 31 March 2025, held 4,670 options granted under the Sharesave Plan with an exercise price of 711 pence per share (the 20% discounted option price) which can, subject to their terms, be exercised at 711 pence per share between 1 April 2025 and 30 September 2025. On 31 March 2025, also held 4,219 options granted under the Sharesave Plan with an exercise price of 743 pence per share (the 20% discounted option price) which can, subject to their terms, be exercised at 743 pence per share between 1 April 2027 and 30 September 2027. The number of conditional share awards subject to performance conditions is as follows: 2022 LTPP: 395,869; 2023 LTPP: 420,803; 2024 LTPP: 438,141.

Andy Agg: On 31 March 2025, held 4,777 options granted under the Sharesave Plan with an exercise price of 695 pence per share (the 20% discounted option price) and they can, subject to their terms, be exercised at 695 pence per share between 1 April 2026 and 30 September 2026. The number of conditional share awards subject to performance conditions is as follows: 2022 LTPP: 223,311; 2023 LTPP: 237,390; 2024 LTPP: 247,193.

Paula Rosput Reynolds, Anne Robinson, Earl Shipp, Jonathan Silver and Martha Wyrsch: Holdings are shown as American Depositary Shares (ADSs) and each ADS represents five ordinary shares.

Post-employment shareholding requirements

Past Executive Directors are required to continue to hold their vested shares/ADSs post employment for a period of two years in line with our current Policy.

To enforce this, the Executive Directors have given permission for the Group to periodically check with its third-party share scheme administrator whether the minimum shareholding requirement is being maintained. The Executive Directors have acknowledged that if they breach their post-employment shareholding requirement for any reason, the Group may enforce at its discretion one or more of the following processes: to request they repay to the Group an amount equivalent in value to the shareholding requirement that has not been met; the Group may withdraw/vary the vesting of any future shares granted under the LTPP; the Company may publish a public statement in a form, as the Group may decide, that the Director has failed to comply with the post-employment shareholding requirement. Executive Directors are reminded annually and when employed, of the post-employment shareholding requirement. At termination, the minimum shareholding requirement is confirmed to the Director and checks are made by the Group at the 12-month and 24-month anniversary of leaving and at the relevant financial year end, 31 March, to ascertain if their post-employment shareholding requirement has been met.

Shareholder dilution

All Company employees are encouraged to become shareholders through a number of all-employee share plans and a significant proportion of our employees participate annually. These plans include Sharesave and the SIP in the UK and the US Employee Stock Purchase Plan (ESPP) and US Incentive Thrift Plan (commonly referred to as a 401(k) plan) in the US which are summarised on page 275 and in our Policy.

Where shares may be issued or treasury shares reissued to satisfy incentives, the aggregate dilution resulting from executive or discretionary share-based incentives will not exceed 5% in any 10-year period. Dilution resulting from all incentives, including all-employee incentives, will not exceed 10% in any 10-year period. The Committee reviews dilution levels against these limits annually and under these limits the Company, as at 31 March 2025, had a headroom of 4.04% and 8.18% respectively.

Unvested or unexercised awards under our all-employee and discretionary share plans have been adjusted to take account of the Rights Issue.

Chief Executive pay ratio

We have disclosed our Chief Executive pay ratios comparing the single total figure of remuneration of the Chief Executive to the equivalent pay for the 25th percentile, median and 75th percentile UK employees (calculated on a full-time equivalent basis), as well as the median Group-wide pay ratio.

The Chief Executive pay ratio has decreased from 90:1 to 85:1 at the UK median, primarily due to the impact of the 2022 LTPP award which reduced the Chief Executive's single total figure of remuneration this year as well as the pay and benefits of employees increasing from last year. This has also caused the Group median pay ratio to decrease when compared to last year.

Excluding estimated 2022 LTPP vesting, our UK median pay ratio has increased from 34:1 in 2023/24 to 38:1 this year and our Group pay ratio has increased from 25:1 in 2023/24 to 27:1 this year.

		UK			Group-wide
Year	**Method**	**25th percentile pay ratio**	**Median pay ratio**	**75th percentile pay ratio**	**Median pay ratio**
2024/25	Option A	112	85	65	61
2023/24	Option A	117	90	69	65
2022/23	Option A	144	111	86	76
2021/22	Option A	135	105	81	76
2020/21	Option A	104	81	62	54
2019/20	Option A	111	86	66	53
2018/19 – voluntary	Option A	96	76	58	48

Notes: Salaries as at 31 March 2025 and estimated performance-based annual payments for 2024/25 have been annualised for part-time employees to reflect full-time equivalents. Performance payments have not been further adjusted to compensate where new employees have not completed a full performance year. The comparison with UK employees is specified by the 2018 amendment of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. US employees represent approximately 57% of our total employees. Our median pay ratio on a Group-wide basis is outlined above and calculated on the same basis as the UK pay ratios and at an exchange rate of $1.26637:£1.

Changes in the Chief Executive pay ratio reflect the fact that a key feature of our executive and senior leadership remuneration strategy is heavily weighted towards longer-term performance share-based reward, resulting in larger swings year-on-year than the wider workforce. Across the wider workforce, employee remuneration is largely focused on in-year annual delivery.

The 2024/25 salary and total pay including benefits for the Chief Executive versus UK employees is shown below.

2024/25 salary and benefits – Chief Executive versus UK wider workforce

	Chief Executive remuneration	UK employee 25th percentile	UK employee median	UK employee 75th percentile
Salary	£1,174,525	£43,263	£49,475	£64,161
Total pay and benefits	£6,097,088	£54,440	£71,802	£94,191

We have chosen to use Option A in calculating the ratios, which is a calculation based on the pay of all UK employees on a full-time equivalent basis, as this option is considered to be more statistically robust. The ratios are based on total pay and benefits inclusive of short-term and long-term incentives applicable for the respective financial year (1 April – 31 March). The reference employees at the 25th, median and 75th percentile have been determined by reference to pay and taxable benefits as at the last day of the respective financial year, 31 March, with estimates for the respective APP payouts and performance outcomes of the LTPP and dividend equivalents.

Directors' Remuneration Report continued

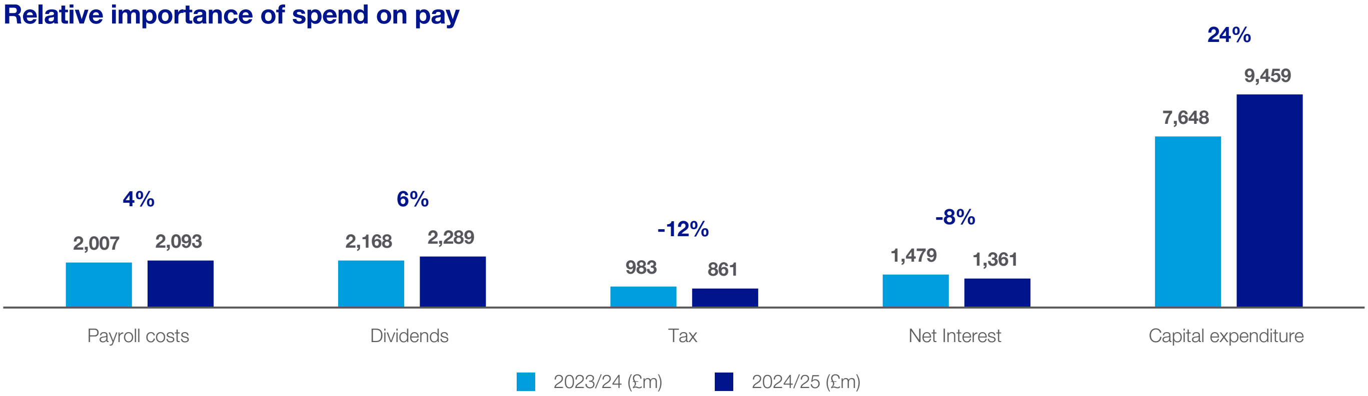
Statement of implementation of Policy in 2024/25 continued

We are satisfied that the median pay ratio reported this year is consistent with our wider pay, reward and progression policies for employees. The median reference employee falls within our collectively bargained employee population and has the opportunity for annual pay increases, annual performance payments and career progression and development opportunities. The Chief Executive received a pay increase of 4.5% in 2024/25, below the UK wider workforce increase of 5.0%. For reference, in 2025/26, the Chief Executive will receive a 5.0% pay increase, which is on par with the wider UK workforce principles (5.0%).

Relative importance of spend on pay

The chart below shows the relative importance of spend on pay compared with other costs and disbursements (dividends, tax, net interest and capital expenditure). Given the capital-intensive nature of our business and the scale of our operations, these costs were chosen as the most relevant measures for comparison purposes. All amounts exclude exceptional items and remeasurements.

Relative importance of spend on pay



Notes:
1. Presented on a continuing basis only
2. Percentage increase/decrease of the costs between years is shown

Chief Executive's pay in the last 10 financial years

Steve Holliday was Chief Executive in 2015/16. John Pettigrew became Chief Executive on 1 April 2016.

	Steve Holliday	John Pettigrew								
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Single total figure of remuneration (£'000)	5,151	4,623	3,648	4,651	5,205	5,071	6,614	7,262	6,113	6,097
Single total figure of remuneration including only 2014 LTPP (£'000)		3,931								
APP (proportion of maximum awarded)	94.60 %	73.86 %	82.90 %	84.20 %	70.58 %	80.43 %	85.20 %	82.62 %	75.50 %	91.92 %
LTPP (proportion of maximum vesting)	63.45 %	90.41 %	85.20 %	84.20 %	84.90 %	68.00 %	74.22 %	100.00 %	81.87 %	76.31 %

Notes:

John Pettigrew: The single total figure of remuneration for 2024/25 is explained in the single total figure of remuneration table for Executive Directors and the single total figure for 2023/24 has been restated to reflect actual share price for 2021 LTPP vesting in 2024 and all dividend equivalent shares, consistent with comparative figures shown in this year's single total figure of remuneration table.

2014 LTPP: The 2016/17 single total figure of remuneration includes both the 2013 LTPP award and the 2014 LTPP award due to a change in the vesting period from four years (2013 LTPP) to three years (2014 LTPP).

LTPP plans: Prior to 2014, LTPP awards were made under a different long-term incentive framework which incorporated a four-year performance period for the RoE element of the awards. The last award under this framework was made in 2013 and was fully vested in 2017. Awards made from 2014 are subject to a three-year performance period. The first of these awards vested in 2017.

Single total figure of remuneration – Non-executive Directors

The following table shows a single total figure in respect of qualifying service for 2024/25, together with comparative figures for 2023/24:

	Fees (£'000)		Other emoluments (£'000)		Total (£'000)	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
Paula Rosput Reynolds	**724**	700	**51**	56	**775**	756
Anne Robinson	**121**	116	**1**	11	**123**	127
Earl Shipp	**129**	124	**7**	11	**136**	134
Iain Mackay	**158**	143	**40**	22	**198**	165
Ian Livingston	**189**	162	**1**	—	**190**	162
Jacqui Ferguson	**123**	27	**3**	1	**126**	28
Jonathan Silver	**120**	122	**4**	12	**124**	133
Martha Wyrsch	**134**	123	**10**	8	**145**	131
Tony Wood	**118**	113	**6**	14	**124**	128
Total	**1,816**	1,629	**123**	135	**1,941**	1,764

Notes: Non-executive Director fee increases approved in 2023/24 were effective from 1 July 2024.

Other emoluments: In accordance with the Group's expenses policies, Non-executive Directors receive reimbursement for their reasonable expenses for attending Board meetings. In instances where these costs are treated by HMRC as taxable benefits, the Group also meets the associated tax cost to the Non-executive Directors through a PAYE settlement agreement with HMRC and these costs are included in the table above.

Jacqui Ferguson: Joined the Safety & Sustainability Committee as a member effective 5 July 2024.

Jonathan Silver: Stepped down as member of Audit & Risk Committee and joined the Finance Committee effective 5 July 2024.

The total emoluments paid to Executive and Non-Executive Directors in the year were £11.7 million (2023/24: £11.7 million).

Percentage change in remuneration (Executive Directors, Non-executive Directors, employee average)

We have included percentage change in salary/fee, bonus and benefits for each of the Directors compared with prior years. The regulations cover employees of the Parent Company only and not across the Group, and given most employees, if not all, are employed by subsidiary undertakings, we have voluntarily chosen a comparator group of all employees in the UK and the US to provide a representative comparison. In line with the regulations, we now disclose this information to display a five year history.

	2020/21			2021/22			2022/23			2023/24			2024/5		
Executive Directors	Salary	Benefits	Bonus	Salary	Benefits	Bonus	Salary	Benefits	Bonus	Salary	Benefits	Bonus	Salary	Benefits	Bonus
John Pettigrew	1.3 %	(4.7)%	15.4 %	1.7 %	(8.8)%	7.8 %	3.4 %	(42.0)%	0.3 %	3.9 %	48.9 %	(5.0)%	4.4 %	(54.0)%	27.0 %
Andy Agg	4.9 %	40.6 %	17.7 %	6.5 %	(31.6)%	15.9 %	6.5 %	32.6 %	2.1 %	4.6 %	0.3 %	(7.8)%	4.4 %	(14.3)%	29.6 %
Non-executive Directors															
Paula Rosput Reynolds	n/a	n/a	n/a	2816.8 %	n/a	n/a	16.9 %	217.1 %	n/a	— %	0.4 %	n/a	3.4 %	(9.2)%	n/a
Anne Robinson	n/a	n/a	n/a	n/a	n/a	n/a	474.0 %	n/a	n/a	5.4 %	(23.7)%	n/a	4.3 %	(89.4)%	n/a
Earl Shipp	0.5 %	(100.0)%	n/a	8.6 %	n/a	n/a	9.0 %	208.6 %	n/a	0.7 %	(51.6)%	n/a	4.4 %	(31.1)%	n/a
Iain Mackay	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	60.7 %	9695.4 %	n/a	10.2 %	86.5 %	n/a
Ian Livingston[1]	n/a	n/a	n/a	n/a	n/a	n/a	113.2 %	3.0 %	n/a	14.3 %	(100.0)%	n/a	16.9 %	n/a	n/a
Jacqui Ferguson[2]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	362.3 %	166.7 %	n/a
Jonathan Silver	14.3 %	(100.0)%	n/a	(4.2)%	n/a	n/a	24.5 %	383.6 %	n/a	(1.7)%	(74.2)%	n/a	(0.9)%	(66.2)%	n/a
Martha Wyrsch	n/a	n/a	n/a	n/a	n/a	n/a	111.0 %	280.3 %	n/a	4.5 %	(30.6)%	n/a	9.6 %	27.7 %	n/a
Tony Wood	n/a	n/a	n/a	n/a	n/a	n/a	144.2 %	857.5 %	n/a	(3.1)%	(19.0)%	n/a	4.3 %	(60.0)%	n/a
Employee median	(8.5)%	1.7 %	(5.5)%	2.8 %	6.1 %	40.0 %	12.4 %	36.4 %	(23.0)%	5.0 %	6.6 %	(3.8)%	2.3 %	3.6 %	(8.0)%

Notes:

1. Ian Livingston received no benefits during 2023/24.
2. Jacqui Ferguson was appointed to the Board on 1 January 2024, therefore 2023/24 fees and benefits were prorated.
3. Benefits/other emoluments: For Executive Directors, benefits include private medical insurance, life assurance, allowance under the Group's flexible benefits programme, travel and accommodation expenses, a fully expensed car or cash alternative and the use of a car and a driver when required. For Non-executive Directors, the equivalent of benefits is emoluments. In accordance with the Group's expenses policies, Non-executive Directors receive reimbursement for their reasonable expenses for attending Board meetings. In instances where these costs are treated by HMRC as taxable benefits, the Group also meets the associated tax cost to the Non-executive Directors through a PAYE settlement agreement with HMRC and these costs are included in the table above. The 2022/23 year-on-year increase on Non-executive Directors benefits was due to global travel returning to pre-pandemic levels; therefore Directors travelled several times during the year incurring travel/accommodation expenses.

Directors' Remuneration Report continued

Statement of implementation of Policy in 2024/25 continued

Service contracts/letters of appointment

In line with our Policy, all Executive Directors have service contracts which are terminable by either party with 12 months' notice commencing immediately after announcement. Non-executive Directors are subject to letters of appointment. The Board Chair's appointment is subject to six months' notice by either party; for other Non-executive Directors, notice is one month. All Directors are required to be elected at each AGM.

There have been no changes made to Directors' service contracts and letters of appointment, other than the additional US Clawback Policy, which was adopted in line with the New York Stock Exchange rules requirement. Copies of service contracts and letters of appointment are available for inspection at the Company's registered office.

Payments for loss of office and payments to past Directors

There were no payments made to past Directors during 2024/25.

External appointments and retention of fees

As per our Policy, Executive Directors may, with the approval of the Board, accept one external appointment as a Non-executive Director of another company and retain any fees received for the appointment. Experience as a board member of another company is considered to be valuable personal development, which in turn is of benefit to the Company. The table below details the Executive Directors' appointments as Non-executive Directors in other companies during the year ended 31 March 2025.

	Company	Retained fees
John Pettigrew	Rentokil Initial plc	£97,250
Andy Agg	The Weir Group plc	£85,567

Role of the Remuneration Committee

The Committee is responsible for recommending to the Board the Remuneration Policy for the Executive Directors. The Committee is also responsible for approving the remuneration of the other members of the Group Executive Committee and the Chair. The aim is to align the Policy to the Group strategy and key business objectives, and ensure it reflects our shareholders', customers' and regulators' interests. The Committee receives input on Policy implementation at the wider workforce level before making decisions on matters such as salary increases and annual incentive payouts and closely reviews the appropriateness of pay positioning by reference to external measures (benchmarking remuneration packages) and internal review of Group performance and pay gaps (chief executive pay ratios, gender and ethnicity pay gaps) and the relativity year-on-year of salary, benefits and annual performance incentives compared with the same for the rest of the workforce.

- **Clarity**: We identify and communicate a range of performance measures in our incentives which clearly link to the successful execution of the Group's strategy.
- **Simplicity:** Elements of our remuneration framework and their purpose are clearly articulated within our market-standard policy and we believe this is understood by all our stakeholders.
- **Risk:** Risk is managed in a number of ways and evidenced through our Policy, for example: setting maximum levels for incentive plans; implementing measures that are aligned to Group performance and shareholder interests; focusing on the long term and creating value through the LTPP; reviewing formulaic outcomes; malus and clawback provisions including the new US Clawback Policy; and having a high shareholding requirement for senior executives.
- **Predictability:** Full information on the potential values which could be earned are disclosed; our Policy outlines threshold, target and maximum opportunity with varying actual incentive outcomes dependent on performance; and all the checks and balances set out above under Risk are disclosed as part of the Policy.
- **Proportionality:** While incentive plans reward executives' performance in successfully delivering the business strategy, there is also a focus on sustaining this through holding periods that apply to vested shares and annual incentives paid out as shares; all executives are also subject to significant shareholding and post-employment shareholding requirements. The Policy does not reward poor performance and the range of potential payouts under the Policy is appropriate.
- **Alignment to culture and strategy:** Our culture recognises that how we do things is as vital as what we do and this is reflected in the type of performance conditions used in our incentive plans. Both the measures themselves and the targets set aim to reinforce this approach.

Our Policy has operated as intended in terms of Group performance and quantum; a review of key considerations and decisions pertaining to its implementation is provided in the Committee Chair's statement.

The Committee's activities in 2024/25

Meeting/circulations	Main areas of discussion
May 2024	AGM update Approval of 2023/24 APP and 2021 LTPP outcomes for the Group Executive Committee Review of Chair fees Discussion on the 2024/25 APP financial, operational and individual objectives and 2024 LTPP targets for the Group Executive Committee Discussion on the impact of the Rights Issue on employee share schemes Discussion on the 2023/24 Directors' Remuneration Report Discussion on a number of governance updates, including share dilution limits and shareholding for the Group Executive Committee
July 2024	Approval of 2024/25 APP financial, operational and individual objectives and 2024 LTPP targets for the Group Executive Committee Ensure approved targets reflect the impact of the Rights Issue Discussion on the 2025 Remuneration Policy review
November 2024	Discussion on the 2025 Remuneration Policy and the investor engagement plan for 2024/25 Update on the 2024/25 APP provisional outturns for the Group Executive Committee Update on inflight (2022, 2023 and 2024) LTPP awards
February 2025	Discussion on the 2025/26 APP financial, operational and individual objectives and 2025 LTPP targets for the Group Executive Committee Review of broader workforce remuneration and approval of the Gender and Ethnicity Pay Gap calculation Update on the 2025 Remuneration Policy and feedback from the consultation process
March 2025	External market update and evolving governance Discussion on the 2024/25 expected incentive plan outcomes (APP and outstanding LTPP) for the Group Executive Committee Discussion on the 2025/26 APP financial, operational and individual objectives and 2025 LTPP award for the Group Executive Committee Market data review, salary increase proposals, in context of wider workforce increases, for the Group Executive Committee

Advisors to the Remuneration Committee

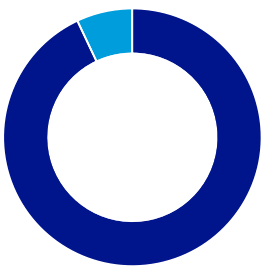
PricewaterhouseCoopers LLP (PwC) was selected by the Committee to become its independent advisor from 3 August 2020 and provided advice and counsel to the Committee throughout 2024/25. PwC is a member of the Remuneration Consultants Group (RCG) and has signed up to RCG's code of conduct. The Committee is satisfied that any potential conflicts were appropriately managed. Work undertaken by PwC in its role as independent advisor to the Committee has incurred fees of £243,881 during the 2024/25 on the basis of time charged to perform services and deliverables.

The Committee reviews the objectivity and independence of the advice it receives from its advisors each year. It is satisfied that PwC provided credible and professional advice. PwC has provided general and technical remuneration services in relation to employees below Board and Group Executive Committee level that include broad-based employee reward support and data assurance services. In addition, WTW provided benchmarking support to the Committee in the year and incurred fees of £30,240.

The Committee considers the views of the Chair on the performance and remuneration of the Chief Executive, and of the Chief Executive on the performance and remuneration of the other members of the Group Executive Committee. The Committee is also supported by the Group Company Secretary, and either he or his delegate acts as Secretary to the Committee; the Chief People Officer; the Group Head of Reward; and, as required, the Chief Financial Officer, the Group Head of Pensions and the Group Financial Controller.

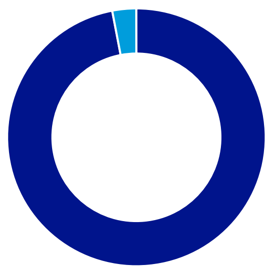
Voting on the Policy at the 2022 AGM and the Directors' Remuneration Report at the 2024 AGM

2022 Policy



For 93%
Against 7%

Directors' Remuneration Report 2023/24



For 97%
Against 3%

Notes:

1. The Directors' Remuneration Policy voting figures shown refer to votes cast at the 2022 AGM and represent 66.28% of the issued share capital. In addition, shareholders holding 42.6 million shares abstained.
2. The Directors' Remuneration Report voting figures shown refer to votes cast at the 2024 AGM and represent 68.16% of the issued share capital. In addition, shareholders holding 1.0 million shares abstained.

Directors' Remuneration Report continued

Directors' Remuneration Policy

2025 Directors' Remuneration Policy

Our Remuneration strategy sets out to ensure strong alignment with our strategic priorities and creation of value for shareholders while providing market competitive remuneration to enable the attraction and retention of top leadership talent. Our existing Policy (adopted in 2022) has supported the delivery of strong performance to date, and created strong alignment between the success of management, our strategic priorities, and the shareholder experience. Looking forward, our recent strategic portfolio repositioning and new five year financial framework which includes a capital investment of c.£60 billion, a nearly two-fold increase to the investment in the prior five years, clearly demonstrate that National Grid is continuing to evolve in size and complexity. During the decision making process the Committee undertook a review of the current Policy and its implementation to ensure that our 2025 Directors' Remuneration Policy (2025 Policy) is future-focused and enables delivery of our five-year framework. During the review process the Remuneration Committee considered the following: wider workforce remuneration, market practice, external guidance, input from management and input from our independent advisors. The Committee took measures to avoid conflicts of interest and no Director was present when their own remuneration was discussed.

In light of the above change to scale and complexity and the associated challenges in delivery, the 2025 Policy includes the following main changes:

Remuneration element	Summary of proposed Policy changes
Salary	• Change the benchmarking peer group from FTSE 11-40 to FTSE 30.
Annual Performance Plan (APP)	• Increase the maximum opportunity from 125% of salary to 200% for both Executive Directors. • Once the shareholding requirement is met, introduce flexibility to reduce the deferral percentage to one-third (currently half). • Deferral period remains at two years.
Long-Term Performance Plan (LTPP)	• Increase the maximum opportunity from 350% and 300% of salary for the CEO and CFO respectively to 400% and 350% of salary.
Exceptional circumstances APP/LTPP	• Remove the flexibility to award up to 50% of salary in either the APP or LTPP in exceptional circumstances.
Non-executive Director fee governance	• Propose that NED fees are set by the CEO and Chair of the Board, supported by the CPO; previously NED fees were set by the Group Executive Committee in conjunction with the Chair of the Board.
Treatment of dividend equivalents	• At the discretion of the Committee, allow dividend equivalents to be delivered in either cash or shares in order to align with the shareholder-approved LTPP plan rules that allow for dividend equivalents to be delivered in either cash or shares.

Rationale for the above changes are set out in the Remuneration Committee Chair's letter. We have engaged widely with shareholders and proxy advisory service organisations and are grateful for the engagement, feedback, and overwhelming positive support on our 2025 Policy proposals. The Committee is committed to maintaining an open dialogue and members remain available to answer questions throughout the AGM process and forthcoming year ahead on our 2025 Policy as outlined below. It is the intention that the 2025 Policy will apply to payments made and shares granted from the date of the 2025 AGM.

Policy tables – Executive Directors

Element	Operation	Maximum levels	Performance assessment
Salary Purpose and link to business strategy: to attract, motivate and retain high-calibre individuals.	Salaries are generally reviewed annually and are targeted broadly at the mid-market of our peer group. However, a number of other factors are also taken into account: • the individual's skills and experience; • scope of the role, including any changes in responsibility; • market data, including salary and total remuneration; and • incentive opportunity in the relevant comparator group.	No prescribed maximum annual increase although increases are generally aligned to or below salary increases received by other Company employees and to market movements. Increases in excess of this may be made at the Committee's discretion in circumstances such as a significant change in responsibility, progression if more recently appointed in the role and alignment to mid-market levels.	Not applicable.
Benefits Purpose and link to business strategy: to provide competitive and cost effective benefits to attract and retain high-calibre individuals.	Benefits currently provided include: • company car or a cash alternative (UK only); • use of a car and driver when required; • private medical insurance; • life assurance; • personal accident insurance (UK only); • opportunity to purchase additional benefits (including personal accident insurance for US) under flexible benefits schemes available to all employees; and • opportunity to participate in HMRC (UK) or Internal Revenue Service (US) tax-advantaged all-employee share plans. UK Sharesave: monthly contributions from net salary for a period of three or five years. The savings can be used to purchase shares at a discounted price set at the launch of each plan period. Share Incentive Plan: UK employees may use gross salary to purchase shares. These shares are placed in trust. Employee Stock Purchase Plan (ESPP) (423(b) plan): eligible US employees may purchase ADSs on a monthly basis at a discounted price. Other benefits may be offered at the discretion of the Committee. In circumstances where an Executive Director is located outside of the UK, benefits will be set such that they are competitive in the local market.	The cost of providing benefits will vary from year to year in line with the market. Participation in tax-advantaged all-employee share plans is subject to limits set by relevant tax authorities.	Not applicable.

Directors' Remuneration Report continued

Directors' Remuneration Policy continued

Element	Operation	Maximum levels	Performance assessment
Pension Purpose and link to business strategy: to help with future financial wellbeing and assist in attraction and retention.	Externally hired Executive Directors may participate in a defined contribution arrangement or alternatively choose to receive cash in lieu. In case of internal promotion to the Board, the Company will recognise legacy defined benefit pension arrangements of existing employees in both the UK and US where these have been provided under an existing arrangement. In line with market practice, pensionable pay for UK-based Executive Directors includes salary only and for US-based Executive Directors includes salary and APP awards.	**UK Directors:** Defined contribution: annual contributions for new appointments and existing Executive Directors of up to 12% of salary. Executive Directors may take a full or partial cash supplement in lieu. Life assurance of four times salary and a dependant's pension of one third of salary is provided. Executives with HMRC pension protection may be offered lump sum life assurance only, equal to four times salary. **US Directors:** Defined contribution: contributions of up to 9% of salary plus APP award with additional 401(k) plan match up to 4%. Defined benefit: no additional defined benefit entitlements will be earned over the financial years from the date of appointment, other than an increase for price inflation due under the pension scheme rules and legislation. Under the terms of the pension scheme, if the Executive Director satisfies the ill-health requirements, or is made redundant, pension may be payable earlier than the normal retirement date. A lump sum death in service benefit is also provided in respect of these defined benefit entitlements.	Not applicable. The current Executive Directors are not active members of a defined benefit plan.

Element	Operation	Maximum levels	Performance assessment
Annual Performance Plan (APP) Purpose and link to business strategy: to incentivise and reward the achievement of annual financial measures and strategic non-financial measures including the delivery of annual individual objectives and demonstration of our Company leadership qualities and values.	The APP comprises reward for achievement against financial and non-financial measures and achievement against individual objectives. Financial and non-financial performance measures and targets are normally agreed at the start of each financial year and are aligned with strategic business priorities. Targets are set with reference to the business plan and strategy. Individual objectives and associated targets are normally agreed also at the start of the year. APP awards are normally paid in June. Where the Executive Director has not yet met their shareholding requirement, at least 50% of the APP award is paid in shares, which (after any sales to pay associated income tax and social security) must be retained for at least two years after receipt. Where an Executive Director has met the shareholding requirement, at least 33% of the APP award will be paid in shares which (after any sales to pay associated income tax and social security) must be retained for at least two years after receipt. Awards are subject to malus and clawback provisions.	The maximum award is 200% of salary in respect of a financial year. The payout levels at threshold, target and stretch performance levels are 0%, 50% and 100%, respectively.	At least 50% of the APP is based on performance against financial measures. The Committee may use its discretion to set financial and non-financial measures, including individual objectives that it considers appropriate in each year. Notwithstanding the level of award achieved, the Committee has the discretion to modify the formulaic amount payable, to reflect wider financial and business performance, demonstration of leadership qualities and our values, or to take account of a significant event.
Long-Term Performance Plan (LTPP) Purpose and link to business strategy: to drive long-term business performance, aligning Executive Director incentives to key shareholder interests over the longer term.	Awards of shares may be granted each year, with vesting subject to long-term performance conditions. The performance measures which are chosen are those that the Committee believes reflect the creation of long-term value within the business. Targets are set for each award with reference to the business plan and strategy. Participants may receive dividend equivalents on vested shares, from the time the award was made, at the discretion of the Committee, accrue dividend equivalents in cash or shares, which may be on a reinvestment basis, and which are subject to the same terms, including vesting date and holding period, as the LTPP award. Any accrued dividend equivalent will be prorated, depending on the level of award vesting. Participants must retain vested shares (after any sales to pay associated income tax and social security) until the shareholding requirement is met, and in any event for a further two years after vesting. Awards are subject to malus and clawback provisions.	The normal annual maximum award limits that may be granted are 400% of salary for the CEO and 350% of salary for other Executive Directors. For each performance measure, threshold performance will trigger up to 20% of the award to vest; 100% will vest if maximum performance is attained.	The Committee will review performance measures for each award cycle prior to grant to ensure continued alignment with the Company's strategy. As such, different performance measures, targets and/or weightings may be set to reflect the business strategy and the regulatory framework operating at that time. Awards have a three-year performance period followed by a two-year holding period post-vesting. Notwithstanding the level of award achieved, the Committee has the discretion to modify the formulaic amount vesting, to reflect wider financial and business performance, demonstration of leadership qualities and our values, or to take account of a significant event.

Directors' Remuneration Report continued

Directors' Remuneration Policy continued

Malus and clawback

The Committee has discretion to determine whether exceptional circumstances exist which justify whether any or all of an award should be forfeited, even if already paid. The below malus and clawback examples best suit National Grid as they ensure that APP and LTPP outturns are fully justified.

Examples of exceptional circumstances include, but are not limited to:

- discovery of a material misstatement resulting in an adjustment in the audited accounts of the Company or any Group company;
- the assessment of any performance condition, or condition in respect of a payment or award under the APP or LTPP, that was based on error, inaccurate or misleading information;
- the discovery that any information used to determine the APP or LTPP award was based on error, inaccurate or misleading information;
- action or conduct of a participant which amounts to fraud or gross misconduct;
- event or behaviour of a participant leading to the censure of the Company by a regulatory authority or has had a significant detrimental impact on the reputation of any Group company, provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant; and
- a material failure of risk management and/or corporate failure.

Where the Committee in its absolute discretion determines that exceptional circumstances exist that justify doing so:

- in respect of all or part of an award that has yet to be paid or vested ('malus'), as applicable, the Committee may determine the award, or part of it, will be forfeited; and
- in respect of all or part of an award that has been paid or has vested ('clawback'), as applicable, the Committee may determine the award, or part of it, will be forfeited and may reclaim an amount considered appropriate through means deemed appropriate to those specific circumstances.

APP – cash	Malus applies in the year the bonus is earned and up to the payment date of the bonus. Clawback applies from the payment date until two years post the performance period
APP – deferred shares	Malus applies until the end of two years following the financial year in which the bonus is earned and clawback for two years thereafter
LTPP	Malus applies up to vesting and clawback during the two-year holding period

Shareholding requirement – in employment

The requirement of Executive Directors to build up and hold a significant value of National Grid shares ensures they share a significant level of risk with shareholders and aims to align their interests. Executive Directors are required to build up and retain shares in the Company. The level of holding required is 500% of salary for the CEO and 400% of salary for the other Executive Directors. Unless the shareholding requirement is met, Executive Directors will not be permitted to sell shares, other than to pay income tax and social security liabilities on shares just vested or in exceptional circumstances approved by the Committee.

Shareholding requirement – post employment

The requirement of Executive Directors to continue to hold National Grid shares after leaving ensures they continue to share a risk with shareholders and maintain alignment with shareholders' interests. Executive Directors will be required to hold shares equivalent to 200% of salary calculated at their leaving date, or maintain their actual holding percentage if lower, expressed as a number of shares and hold such shares for a period of two years. This calculation excludes the value of any awards not yet vested for 'good leavers' that will vest according to the normal schedule and which in any event must be held for a two-year period. The calculation will include recently vested LTPP awards or APP awards paid as shares which are subject to respective two-year holding periods, even after employment.

Until the post-employment shareholding requirement is met, Executive Directors will not be permitted to sell shares, other than to pay income tax and social security liabilities on shares just vested or in exceptional circumstances approved by the Committee.

Our reward peer group

The Committee reviews its Remuneration Policy against appropriate peer groups annually to make sure we remain competitive in the relevant markets. The primary focus for reward market comparisons for UK-based Executive Directors will be the FTSE 30. For US-based Executive Directors, we will continue to use US general industry and US energy services companies with similar levels of revenue for reward market comparisons. These peer groups are considered appropriate for a large, complex, international and predominantly regulated business. The Committee may amend the peer group and reference other peer groups as deemed appropriate.

Policy tables – Non-Executive Directors (NEDs)

Element	Operation	Maximum levels	Performance metrics, weighting and time period applicable
Fees for NEDs Purpose and link to business strategy: to attract NEDs who have a broad range of experience and skills to oversee the implementation of our strategy.	NED fees (excluding those of the Chair) are set by the CEO and the Chair, supported by the CPO. The Chair fees are set by the Committee. Fee structure: • Chair fee (all inclusive); • Base fee; • Committee chair fee; • Committee membership fee; • Senior Independent Director fee; and • Additional Board responsibilities. Fees are reviewed every year taking into account those in companies of similar scale and complexity. The Chair is eligible to receive benefits as deemed appropriate and necessary in respect of the role, which may include, for example, private medical and personal accident cover, the use of a company car and driver, and financial advice. NEDs do not participate in incentives, pension or any other benefits. NEDs are reimbursed for expenses incurred in the course of their duties, such as travel and accommodation expenses, on a grossed-up basis (where applicable). NEDs who also sit on National Grid subsidiary boards may receive additional fees related to service on those boards.	There are no prescribed maximum fee levels although fee increases are generally aligned to salary increases received by other Company employees and market movement of similar scale and complexity. The cost of benefits provided to the Chair is not subject to a predetermined maximum since the purchase cost will vary from year to year.	Not applicable.

Legacy arrangements

For the avoidance of doubt, the Committee may approve payments to satisfy commitments agreed prior to the approval of this Remuneration Policy, for example, those outstanding and unvested incentive awards which have been disclosed to shareholders in previous Remuneration Reports and any commitment made to a person before that person became an Executive Director.

Operation of the policy

The Committee reviews annually the overall appropriateness and relevance of the Remuneration Policy and whether any changes should be put to shareholders. Decisions on the measures and targets for performance-related pay (APP and LTPP) and payouts are made taking account of overall financial and business performance. The Committee also works closely with the People & Governance Committee regarding the appointment of new Directors. The Committee will also link in with the Employee Share Schemes Sub-Committee as required. Consistent with the UK Corporate Governance Code, members of the Remuneration Committee are independent Non-Executive Directors who do not receive any variable remuneration and do not participate in decisions about their own remuneration.

Directors’ Remuneration Report continued

Directors’ Remuneration Policy continued

Other features of the Remuneration Policy

Policy on recruitment remuneration

Salaries for new Executive Directors appointed to the Board will be set in accordance with the terms of the approved Remuneration Policy in force at the time of appointment, and in particular will take account the appointee’s skills, experience and the scope and assessment of the market rate for the role.

Where appropriate, salaries may be set below market level initially, with the Committee retaining discretion to award increases in salary in excess of the wider workforce to progressively bring the salary up to the market level over time, where this is justified by performance. Any such increases will be disclosed accordingly, along with a supporting rationale where appropriate.

Benefits consistent with those offered to other Executive Directors under the approved Remuneration Policy in force at the time of appointment will be offered, taking account of local market practice. The Committee may also agree that the Company will meet certain recruitment costs, for example legal fees, certain relocation expenses or provide tax equalisation as appropriate.

Pension contributions for new Executive Directors appointed to the Board will be set in accordance with the terms of the approved Remuneration Policy in force at the time of appointment.

Ongoing incentive pay (APP and LTPP) for new Executive Directors will be in accordance with the approved Remuneration Policy in force at the time of appointment. This means the normal maximum APP award in any year would be 200% of salary and the normal maximum LTPP award would be 400% of salary for the CEO and 350% of salary for other Executive Directors, excluding any buyout awards.

For an externally appointed Executive Director, the Company may offer additional cash or share-based payments that it considers necessary to buy out current entitlements from the former employer that will be lost on recruitment to National Grid. Any such arrangements would, so far as practicable, reflect the delivery mechanisms, time horizons and levels of conditionality of the remuneration entitlement lost. In order to facilitate buy-out arrangements, existing incentive arrangements will be used to the extent possible, although awards may also be granted outside of these shareholder-approved schemes if necessary and as permitted under the Listing Rules.

For an internally appointed Executive Director, any outstanding APP awards will be determined according to the original terms but paid at the end of the year. Any outstanding LTPP awards will be paid according to the original terms.

Fees for a new Chair or Non-Executive Director will be set in line with the approved Policy in force at the time of appointment.

Service contracts/letters of appointment

In line with our Policy, all Executive Directors have service contracts which are terminable by either party with 12 months’ notice commencing immediately after announcement. Non-executive Directors are subject to letters of appointment. The Board Chair’s appointment is subject to six months’ notice by either party; for other Non-executive Directors, notice is one month. Both Executive Directors and Non-executive Directors are required to be re-elected at each AGM.

Copies of the Directors’ service contracts and letters of appointment are available for inspection at the Company’s registered office.

Policy on payment for loss of office

The contracts contain provisions for payment in lieu of notice, at the sole and absolute discretion of the Company. Such contractual payments are limited to payment of salary only for the remainder of the notice period. In the UK, such payments would usually be phased on a monthly basis, over a period not greater than 12 months, and the Executive Director would be expected to mitigate any losses where employment is taken up during the notice period. In the US, for tax compliance purposes, the policy is to make any payment in lieu of notice as soon as reasonably practicable, and in any event within two and a half months of the later of 31 December and 31 March immediately following the notice date.

In the event of a UK Director's role becoming redundant, statutory compensation would apply and the relevant pension plan rules may result in the early payment of an unreduced pension. On termination of employment, no APP award would generally be payable. However, the Committee has the discretion to deem an individual to be a 'good leaver', in which case a pro rata discretionary payment could be paid, based on performance (as measured at the end of the financial year) and the achievement of individual objectives during the financial year up to termination.

In the UK, any discretionary payment would generally be paid at the normal time. In the US the payment may be made earlier if required for tax compliance purposes, in which case the Committee would apply discretion to determine an appropriate level of financial performance. Examples of circumstances which could trigger 'good leaver' treatment include redundancy, retirement, illness, injury, disability, mutual agreement and death. The Committee may apply discretion to determine if any pro rata discretionary payment should be made sooner than it would normally be paid, for example, in the case of death.

On termination of employment, outstanding awards under the share plans will be treated in accordance with the relevant plan rules approved by shareholders. Unvested share awards would normally lapse. 'Good leaver' provisions apply at the Committee's discretion and in specified circumstances.

Examples of circumstances which could trigger 'good leaver' treatment include: redundancy, retirement, illness, injury, disability, mutual agreement and death. In these circumstances, awards will be released to the departing Executive Director, or, in the case of death, to their estate. Long-term share plan awards held by 'good leavers' will normally vest, subject to performance measured at the normal vesting date and be reduced pro rata for completed time of service starting on the date of grant, as per the plan rules. Such awards would vest at the same time as for other participants, apart from circumstances in which the award recipient has died, in which case the awards may vest as soon as practicable (based on a forecast of performance).

At the Committee's discretion, the Company may also agree other payments such as an agreed amount for legal fees associated with the departure of the Executive Director and outplacement support.

No compensation would be paid for loss of office of Directors on a change of control of the Company.

No compensation is payable to the Chair or Non-Executive Directors if they are required to stand down or are not re-elected at the AGM.

External appointments

Executive Directors may, with the approval of the Board, accept one external appointment as a Non-executive Director of another company and retain any fees received for the appointment. Experience as a board member of another company is considered to be valuable personal development, which in turn is of benefit to the Company.

Corporate and share capital events

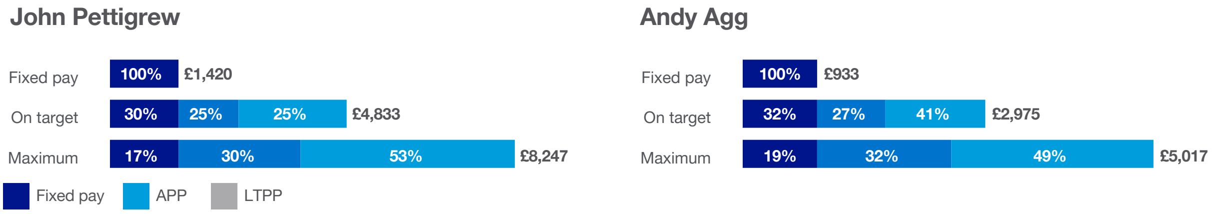
The Group's employee share plans (including the LTPP) contain standard provisions that allow awards (and where relevant their exercise prices) to be adjusted, or in some cases vest or be exchanged, on the occurrence of a corporate or share capital event such as a capitalisation or Rights Issue, sub-division, consolidation or reduction of share capital, demerger, special dividend or distribution, listing or change of control, normally at the discretion of the Committee. The Committee also has the ability to adjust performance targets where appropriate.

Directors' Remuneration Report continued

Directors' Remuneration Policy continued

Total remuneration opportunity

The total remuneration for each of the Executive Directors that could result from the 2025 Policy under three different performance levels (below threshold, when only fixed pay is receivable, on target and maximum) is shown below. The maximum receivable assuming 50% share price growth in LTPP awards over a three-year performance period, and the basis for this calculation, is set out in the notes below.



Notes:

1. Fixed pay consists of salary, pension and benefits in kind as provided under the Remuneration Policy. Salary is that to be paid in 2025/26, taking account of the increases that will be effective from 1 July 2025 as shown on page 147. Benefits in kind and pension are as shown in the Single Total Figure of Remuneration table for 2024/25 on page 128.
2. APP calculations are based on 200% of salary for the period 1 April 2025 to 31 March 2026. APP payout is 0% for below threshold performance, 50% for on-target performance and the maximum of 100% is for achieving stretch.
3. LTPP calculations are based on awards to be granted in 2025 of 350% of 1 July 2025 salary for John Pettigrew and 300% of 1 July 2025 salary for Andy Agg (noting that the Policy maximum is 400% and 350% of salary for the CEO and CFO respectively). LTPP payout is 20% for threshold performance and the maximum of 100% is for achieving stretch and straight line vesting between. Excludes changes in share price and dividend equivalents.
4. For LTPP calculations, assuming either a 50% share price growth over the three-year performance period, the increase in LTPP value and maximum total compensation for each of the Executive Directors would be (all amounts expressed as £'000):

- John Pettigrew: LTPP value would increase from £4,363 to £6,545 and maximum total compensation would rise from £8,247 to £10,428 respectively
- Andy Agg: LTPP value would increase from £2,462 to £3,692 and maximum total compensation would rise from £5,017 to £6,247 respectively

Consideration of 2025 Policy elsewhere in the Company

The design and implementation of executive remuneration takes into consideration the wider workforce context and remuneration strategy to ensure they are mutually reinforcing. Our 2025 Policy is well aligned to policies for our non-unionised workforce, and the Committee actively considers employee feedback and views on executive pay. The Company issues an employee engagement survey each year, which includes remuneration as a topic, and regularly engages with employees on a variety of topics including remuneration to ensure employees have an opportunity to share their feedback and views.

All employees are entitled to salary, benefits, and pension contributions. The approach to assessing salaries, benefits, pensions and other elements of remuneration is consistent across the Group with an objective to ensure they remain competitive at relevant mid-market levels for all job bands/roles, including roles that are subject to union negotiation. In the UK, we are committed to fair pay via accreditation with the Living Wage Foundation. This commits both National Grid and contractors working on our behalf to pay, as a minimum, the real Living Wage as promoted by the Living Wage Foundation.

Middle to senior leaders are eligible to participate in our long-term incentive plans either through performance share awards or restricted share awards (under the LTPP) to incentivise and reward their individual contributions toward the Company's longer-term strategic priorities. Performance measures for the LTPP are consistent with measures set for Executive Directors to ensure strong alignment and focus on the Company's strategic goals.

Across the wider workforce, a greater emphasis and focus is placed on delivery of the Company's annual operational and financial business plans. As such, the majority of employees are eligible to participate in the APP. Performance measures for annual incentives are cascaded through the organisation and designed to ensure they incentivise elements of business performance within an individual's control and are aligned to an employee's annual goals. All Company employees are encouraged to become shareholders through a number of all-employee share plans and a significant proportion of our employees participate annually. These plans include Sharesave and the SIP in the UK and the 401(k) and 423(b) plans in the US which are summarised on page 275.

Implementation of the Policy for 2025/26

The 2025 Policy will be implemented in 2025/26 as detailed below, subject to shareholder approval at the July 2025 AGM.

Salary and pensions

Salary increases for the Executive Directors will be on par with the wider UK and US workforce principles (5%). The wider workforce (non-union) salary budget increase is set at 4.0% plus a 1% for compression and market adjustment. The 5.0% increase for both Executive Directors is aligned to the principles used for wider workforce increases.

John Pettigrew and Andy Agg will both be awarded salary increases of 5.0%, effective from 1 July 2025.

John Pettigrew will remain as Chief Executive until 16 November 2025, but will continue to be available to the Group through to the end of his 12 month notice period, which expires on 30 April 2026. His departure will be treated in accordance with the Directors' Remuneration Policy and his service contract. Accordingly, he will continue to receive his current level of salary and benefits up to the cessation of his employment.

	From 1 July 2025	From 1 July 2024	% increase
John Pettigrew	£1,246,665	£1,187,300	5.0 %
Andy Agg	£820,575	£781,500	5.0 %

The pension contribution rate for both Executive Directors is in line with that for the UK wider workforce and new joiners at 12%.

2025/26 APP

The 2025/26 APP measures will be split across financial measures, operational measures and individual objectives, weighted 70%, 15% and 15% respectively. The maximum APP award for both Executive Directors for 2025/26 is 200% of salary, subject to shareholder approval of the 2025 Policy. John Pettigrew will be eligible, while he remains Chief Executive, for a pro rata annual bonus.

	Measure	Weighting
Financial measures	Underlying Group EPS	35 %
	Group RoE	35 %
Operational measures	Capital delivery and effectiveness	7.5 %
	‘Leadership of change’ index	7.5 %
Individual objectives		15 %

Financial measures

For 2025/26, the Committee opted to retain Underlying Group EPS and Group RoE as financial measures. Group RoE continues to be a relevant and important measure of performance as a primarily regulated asset-based company and targets are set to ensure strong in-year returns and operational results. In respect of earnings measures, Underlying Group EPS remains the most appropriate measure under the APP from the perspective of the business, and the targets are set in a manner which considers specific challenges and opportunities in the year ahead and are flexed accordingly while remaining consistent with our longer-term performance goals.

Financial APP targets are considered commercially sensitive and consequently will be disclosed retrospectively in the 2025/26 Directors' Remuneration Report.

Directors' Remuneration Report continued

Implementation of the Policy for 2025/26 continued

Operational measures

For 2025/26, the Committee are introducing two new operational measures; a capital delivery and effectiveness measure and a leadership of change measure. Both measures will incentivise behaviours aligned with key annual priorities and are linked directly to the Group's strategy and five-year framework, which includes stretching commitments on capital investment, EPS growth and Group asset growth.

Progress in the investment programme is a top priority for investors, making a capital delivery and effectiveness measure essential for tracking performance. Delivering in line with the five-year framework remains critical, with key focus areas for the year ahead centred on efficient delivery of the programme. The capital delivery and effectiveness measure will be assessed on a four-point assessment, based primarily on quantitative metrics with a qualitative element to reflect a balanced assessment of progress and performance in our capital investment ambitions.

The 'Leadership of change' index measure is a quantitative assessment of our annual Group-wide employee engagement survey of colleagues and refers to the ability of leaders to drive and sustain high performance during periods of significant change in our business to achieve our organisational goals, particularly in the context of executing our capital delivery programme. This concept emphasises a blend of trust and confidence in the strategic vision, excellent change communications, and adaptive leadership to ensure successful outcomes.

The 'Leadership of change' index measure will be assessed on a quantitative basis using actual outcomes with an overlay of qualitative performance, where appropriate, to reflect a balanced assessment of performance.

Individual objectives

The Committee has approved individual objectives for the Executive Directors in line with key strategic and operational priorities for the year ahead. John Pettigrew's individual objectives for 2025/26 are focused on: (1) delivering RIIO-T3; and (2) successful CEO transition. Andy Agg's individual objectives are focused on: (1) delivering the next steps of the financing strategy; (2) securing positive regulatory outcomes and supporting the delivery of our capital projects; (3) developing our organisational capabilities and tools; and (4) driving the identification and development of talent into the right pipelines.

2025 LTPP

The 2025 LTPP performance measures and weightings for all Executive Directors comprise two equally weighted financial measures totalling 80% and two equally weighted energy transformation measures totalling 20% as outlined in the table below. The maximum 2025 LTPP award is 350% and 300% of salary for John Pettigrew and Andy Agg respectively, in line with the 2024 LTPP awards (noting the 2025 Policy maximum, subject to shareholder approval is 400% and 350% for the CEO and CFO respectively).

John Pettigrew will be eligible, while he remains Chief Executive, for a LTPP award and will be treated as a good leaver for the purposes of his outstanding LTPP awards, which will be pro-rated to his date of leaving and will vest at the normal dates subject to the achievement of the relevant performance conditions.

LTPP performance is measured over the entire three-year performance period, which for the 2025 LTPP is 1 April 2025 – 31 March 2028.

	Measure	Weighting
Financial measures	Cumulative 3-year Underlying Group EPS	40 %
	Group RoE	40 %
Energy transformation measures	Reduction of Scope 1 emissions	10 %
	Enablement of strategic growth initiative	10 %

Financial measures

Financial measures under the 2025 LTPP are selected to provide alignment with the key drivers of the Group's long-term strategy and value creation for shareholders. Earnings growth and sustainable investment returns remain key measures of long-term value creation in light of the Group's regulated and long-term nature.

The Committee is conscious that financial performance measures under our short-term (APP) and long-term (LTPP) performance plans are similar, however we are of the belief that these measures are the appropriate and correct measures to deliver both short and long-term business strategy as well as long-term efficient asset growth and shareholder value.

Consequently, the 2025 LTPP financial measures are designed in a manner which incentivises alternative elements of performance over the long term as compared with the short term. Specifically in LTPP, Group RoE is averaged across the three-year performance period to incentivise sustainable returns for shareholders in the longer term. Similarly, the cumulative three-year Underlying Group EPS measure assesses Underlying EPS for the three years in the LTPP performance period.

Below are the performance ranges for the financial measures in the 2025 LTPP.

Performance conditions

Performance measures	Weighting	Threshold 20% vesting	Maximum 100% vesting
Cumulative three-year Underlying Group EPS	40 %	241p	259p
Group RoE	40 %	9.35 %	10.60 %

Note: Vesting between threshold and maximum will be on a straight-line basis. Underlying EPS growth reflects the cumulative summation of the Underlying EPS results for each of the three years in the performance period: 2025/26, 2026/27 and 2027/28.

Energy transformation measures

Measures linked to the energy transformation continue to set out key targets and outcomes on the Group's journey to achieve: (1) reductions in the Company's direct Scope 1 emissions and (2) enablement of strategic growth initiative.

Similar to last year, the reduction of Scope 1 emissions measure supports meeting our 2030 Group emissions reduction targets. These targets are SBTi validated and aligned to a 1.5ºC pathway. The second measure of energy transformation strategic growth initiative assesses the delivery of generation connections that support the Group's strategic priority to enable the energy transformation through our network.

Performance measures	Weighting	Threshold 20% vesting	Maximum 100% vesting
Reduction of Scope 1 emissions	10 %	4 %	10 %
Enablement of strategic growth initiative	10 %	10.2 GW	13.3 GW

Notes: Vesting between threshold and maximum will be on a straight-line basis.

Fees for Non-executive Directors

Non-executive Director fees were reviewed in May 2025 and will be effective from 1 July 2025 in line with the annual salary review cycle for our wider workforce.

	From 1 July 2025 (£'000)	From 1 July 2024 (£'000)	% increase vs 2024
Chair	760.8	731.5	4.0 %
Senior Independent Director	33.9	32.6	4.0 %
Board fee	90.4	86.9	4.0 %
Chair Audit & Risk Committee	38.1	36.6	4.0 %
Chair Remuneration Committee	33.9	32.6	4.0 %
Chair other Committees (Finance, Safety & Sustainability)	28.3	27.2	4.0 %
Audit & Risk Committee member	26.0	25.0	4.0 %
Remuneration Committee member	20.3	19.5	4.0 %
Other Committee member (Finance, Safety & Sustainability, People & Governance)	17.0	16.3	4.0 %

Note: For the People & Governance Committee, no fees are paid for the Committee Chair, the Senior Independent Director or the Board Chair.

The Directors' Remuneration Report has been approved by the Board and signed on its behalf by:

Martha Wyrsch
Chair of the Remuneration Committee

14 May 2025

Financial Statements

Resilient growth

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Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts, including the Group financial statements and the Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) as adopted by the UK. The financial statements also comply with IFRS as issued by the IASB. In addition, the Directors have elected to prepare the Parent Company financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company on a consolidated and individual basis, and to enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Parent Company and its subsidiaries and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Having made the requisite enquiries, so far as the Directors in office at the date of the approval of this Report are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Each of the Directors, whose names and functions are listed on pages 99 – 102 confirms that:

- to the best of their knowledge, the Group financial statements and the Parent Company financial statements, which have been prepared in accordance with IFRS as issued by the IASB and IFRS as adopted by the UK and UK GAAP FRS 101 respectively, give a true and fair view of the assets, liabilities, financial position and profit of the Company on a consolidated and individual basis;
- to the best of their knowledge, the Strategic Report contained in the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company on a consolidated and individual basis, together with a description of the principal risks and uncertainties that it faces; and
- they consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This Responsibilities Statement was approved by the Board and signed on its behalf.

Directors' Report

The Directors' Report, prepared in accordance with the requirements of the Companies Act 2006 and the UK Listing Authority's Listing Rules, and Disclosure Guidance and Transparency Rules, comprising pages IFC – 149 and 255 – 303, was approved by the Board and signed on its behalf.

Strategic Report

The Strategic Report, comprising pages IFC – 93, was approved by the Board and signed on its behalf.

By order of the Board

Julian Baddeley
Group Company Secretary

14 May 2025

Company number: 04031152

Independent Auditor's Report to the members of National Grid plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of National Grid plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2025 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB);
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

Group:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 36

Parent Company:

- the Company accounting policies;
- the Company balance sheet;
- the Company statement of changes in equity; and
- the related notes 1 to 11.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, United Kingdom adopted international accounting standards, and IFRS Accounting Standards as issued by the IASB.

The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in note 4(e) to the consolidated financial statements and note 10 to the Company financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matter	The key audit matter that we identified in the current year was US environmental provisioning. In the current year, we re-considered whether the impact of the energy transition on the useful economic lives ('UELs') of US gas distribution property, plant and equipment ('PPE') remains a key audit matter. While the value of these assets has increased in the current year, the level of judgement has reduced given the additional focus from the regulators and states in which the Group operates on the affordability of full electrification and the challenges of achieving the generation levels required. These developments suggest the gas network will be required for longer, resulting in less judgement in the UEL assumptions. Consequently, this has not been included as a key audit matter. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £160 million which represents 4.4% of profit before tax from continuing operations and 4.6% of adjusted profit before tax (profit before tax from continuing operations, excluding the impact of reported exceptional items and remeasurements).
Scoping	The Group is made up of twelve components. Of these, five were subject to audits of the component's financial information and seven were subject to audit of one or more account balances of the component by the component audit teams or group audit team.
Significant changes in our approach	There have been no significant changes in our approach.

Independent Auditor's Report to the members of National Grid plc continued

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- assessing the available liquidity under management's base case and a reasonable worst case scenario;
- assessing the financing facilities including the nature of facilities, repayment terms and covenants;
- testing the clerical accuracy and appropriateness of the model used to prepare the forecasts;
- assessing the key assumptions used in the forecasts, including the impact of the current macroeconomic environment;
- assessing management's identified potential mitigating actions and the appropriateness of the inclusion of these in the going concern assessment;
- assessing the historical accuracy of forecasts prepared by management;
- reading analyst reports, industry data and other external information to determine if it provided corroborative or contradictory evidence in relation to assumptions used; and
- evaluating the disclosures made within the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 US environmental provisions

Key audit matter description

US environmental provisions – Refer to notes 1F, 26 and 35 to the financial statements and the Audit & Risk Committee's discussion on page 113.

At 31 March 2025, the Group has £2,065 million of environmental provisions in the United States ('US') relating to a number of sites owned and managed by the Group together with certain sites which are no longer owned.

We have identified the US environmental provisioning at certain sites as a key audit matter due to the complexities in estimating the future cost of remediation and the judgement involved in the determination of the discount rate applied.

The sites with the highest level of estimation uncertainty were identified as those with significant contamination ('Superfund' sites) and certain other legacy Manufactured Gas Plant ('MGP') sites based on factors including the presence of regulatory correspondence in the year and the level of change in the provision amount. These sites represent the majority of the total US environmental provisions.

Environmental provisions are calculated based on management's best estimate of the cash flows that will be required to settle the obligation, discounted at a real discount rate, calculated based on the US government bond yield curve and the weighted average life of the provisions.

There are various complexities and uncertainties that exist in relation to the cash flows including:

- the impact of changes in regulation or the environmental agencies' interpretation and implementation of the regulations;
- the extent of contamination identified and modelled from ongoing exploratory and remediation works;
- the form, timing, extent, and associated cost of remediation needed;
- the methods and technologies used in remediation; and
- the allocation of responsibility for remediation.

Management is required to make judgements in selecting an appropriate discount rate which reflects changes in US treasury rates as current market assessments of the time value of money. The Group has increased their real discount rate from 1.5% to 2.0% for the undiscounted cash flows to reflect current market rates. As described in note 26, the change in discount rate has reduced the environmental provision balance by £82 million.

5.1 US environmental provisions continued

How the scope of our audit responded to the key audit matter	Our audit procedures related to the forecasts of future cash flows of the Superfund and certain legacy MGP sites and the selection of the discount rate for US environmental provisions included the following, among others: • We tested the effectiveness of controls over management's compilation of forecast cash flows and determination of the discount rate. • With regard to the estimated cash outflows: – We agreed the proposed remediation activities to technical engineering studies agreed with the environmental agencies where available, or considered latest correspondence with the environmental agencies where remediation plans are yet to be agreed. The associated costings of these activities were agreed to third-party contracts and estimates. We worked with our environmental specialists to assist us in evaluating management's key assumptions; – We read relevant correspondence and meeting minutes with the environmental agencies, working with our specialists to evaluate management's position where significant estimation uncertainty exists; – In order to assess the completeness of the year end liabilities we completed public domain searches on federal databases across all Group subsidiaries to determine whether any relevant costs or applicable sites were omitted. We further checked for the latest regulatory changes at the federal and local level, and precedent from remediation plans recently agreed with the environmental agencies, to determine any indication of changing requirements; – We evaluated the results of ongoing environmental testing for potential non-compliance or evidence that the existing or planned remediation activities would require revision or enhancement; – We evaluated information obtained from the Group's external and internal legal counsel in our evaluation of the recorded provisions; and – We performed additional procedures regarding the uncertainty over the allocation of responsibilities between the Potentially Responsible Parties ('PRPs'); ▪ We made enquiries of the US internal legal counsel and obtained analysis directly from external legal counsel to understand any potential changes to the previously determined positions. ▪ We evaluated settlements in the period with PRPs and compared the results to their assumed shares. ▪ We evaluated publicly available financial statement information and disclosures for a selection of PRPs to identify contradictory evidence in their share percentage and test financial viability. ▪ We assessed the extent to which the evidence obtained demonstrated that the allocations will be substantially followed by all parties. • To evaluate the discount rate chosen by management, we tested the methodology that management has adopted for calculating the discount rate and independently calculated an appropriate discount rate which we used to assess management's rate. We assessed management's disclosures in notes 1F, 26 and 35.
Key observations	Our testing confirmed that the relevant controls over the compilation of forecast cash flows and the determination of the discount rate were designed and operating effectively. We found the provisioning assumptions associated with the tested sites to be reasonable, including the Superfund and MGP sites. In respect of the Superfund sites, we are satisfied that management's estimate of the proportion of costs expected to be allocated to the Group are reasonable. We consider the real discount rate of 2.0% to be reasonable based on the current treasury yields. We noted that the assumptions and judgements that are required to formulate the provisions mean that the range of possible outcomes is broad, hence it is appropriate for management to disclose the key estimation uncertainty and the sensitivity of the judgments they applied. We are satisfied that the Group's disclosures of the key estimation uncertainty, related contingent liabilities, and sensitivities, are reasonable.

6. Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

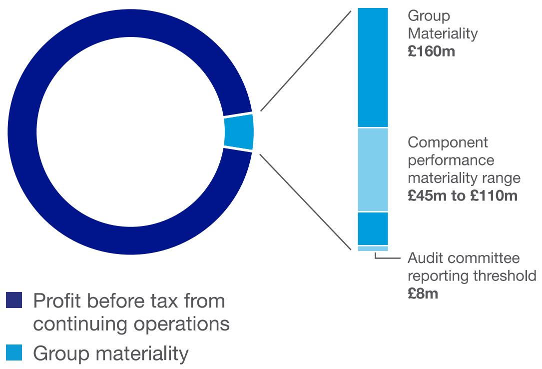
	Group financial statements	Parent Company financial statements
Materiality	£160 million (2024: £160 million)	£160 million (2024: £160 million)
Basis for determining materiality	Our determined materiality represents 4.4% of profit before tax from continuing operations (2024: 3.9%) and 4.6% (2024: 5.3%) of adjusted profit before tax (profit before tax from continuing operations, excluding the impact of reported exceptional items and remeasurements). Prior year materiality was determined on a similar basis.	We determined materiality for our audit of the Parent Company financial statements using 0.8% of net assets (2024: 1.1%). We have capped the Parent Company materiality with Group materiality.

Independent Auditor's Report to the members of National Grid plc continued

6.1 Materiality continued

	Group financial statements	Parent Company financial statements
Rationale for the benchmark applied	Profit before tax is the benchmark ordinarily considered by us when auditing listed entities. It provides comparability against other companies across all sectors but has limitations when auditing companies whose earnings are impacted by items which can be volatile from one period to the next, and therefore may not be representative of the volume of transactions and the overall size of the business in a given year, or where the impact of volatility may result in the recognition of material income or charges in a particular year. We consider adjusted profit before tax to be an important benchmark of the performance of the Group. We consider it appropriate to adjust for exceptional items and remeasurements as these items are volatile and not fully reflective of the underlying performance of the Group. We conducted an assessment of which line items we understand to be the most important to investors and analysts by reviewing analyst reports and National Grid's communications to shareholders and lenders, as well as the communications of peer companies. This assessment resulted in us considering the financial statement line items above. Whilst not a measure in IFRS Accounting Standards, adjusted profit is one of the key metrics communicated by management in National Grid's results announcements. It excludes some of the volatility arising from changes in fair values of financial assets and liabilities as well as exceptional items.	As the Company is non-trading, operates primarily as a holding company for the Group's trading entities, and is not profit orientated, we believe the net asset position is the most appropriate benchmark to use.

Profit before tax from continuing operations £3,650m



6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	70% (2024: 70%) of Group materiality.	70% (2024: 70%) of Parent Company materiality.
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • our cumulative experience from prior year audits; • the level of corrected and uncorrected misstatements identified; • our risk assessment, including our understanding of the entity and its environment; and • our assessment of the Group's overall control environment.	

6.3 Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £8 million (2024: £8 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1 Identification and scoping of components

Our audit was scoped by obtaining an understanding of the Group and its environment and assessing the risks of material misstatements at the Group level. We used data analytics tools and specialists to help inform our understanding of the business, identify key risk areas and evaluate the level of audit coverage required.

The control environment varies across the Group, with controls tailored to each business unit's specific circumstances, despite a largely consistent control framework. UK management maintains overall control and requires sign-off on control attestations from all business unit/component leads.

Components were selected based on a risk-based approach, considering both quantitative (size based on revenue and PPE) and qualitative factors (e.g., risk of material misstatement, commonality of controls).

Revenue was chosen as the primary quantitative driver due to its correlation with operational size and volume of transactions.

For the current year, the Group's twelve components have either been subject to audits of the component's entire financial information (five components) or audits of one or more account balances of the component (seven components). We have determined a range of component performance materialities based on the size and significance of the audit with a range of £45 million to £110 million.

In addition to the work performed at a component level, the Group audit team performed audit procedures on the Parent Company financial statements, including but not limited to corporate activities such as treasury as well as on the consolidated financial statements themselves, including entity-level controls, the consolidation, financial statement disclosures and risk assessment work on components not included elsewhere in the scope of our audit. The Group audit team also co-ordinated the work in connection with the impact of the energy transition on the useful lives of the Group's gas assets and performed certain procedures on key areas, such as the environmental provisions, where audit work is performed by both the Group and component audit teams.

At the Group level, we tested the consolidation process.

7.2 Our consideration of the control environment

Our audit approach was generally to place reliance on management's relevant controls of overall business cycles affecting in-scope financial statement line items. We tested controls through a combination of tests of inquiry, observation, inspection and re-performance.

In some circumstances where controls were deficient and there were not sufficient mitigating or alternative controls we could rely on, we adopted a non-control reliance approach. All control deficiencies which we considered to be significant were communicated to the Audit and Risk Committee. All other deficiencies were communicated to management. For all deficiencies identified, we considered the impact and updated our audit plan accordingly.

The Group's financial systems environment relies on a high number of UK and US applications. In the current year, we scoped 61 IT systems as relevant to the audit: 19 tested in the UK for ET, 15 for ED, and 27 tested in the US. These systems are all directly or indirectly relevant to the entity's financial reporting process.

We planned to rely on the General IT Controls (GITCs) associated with these systems, where the GITCs were appropriately designed and implemented, and these were operating effectively. To assess the operating effectiveness of GITCs, our IT audit specialists performed testing on access security, change management, data centre operations and network operations.

The Group continues to invest in its internal controls as part of its ongoing control improvement activities and its preparations for the introduction of the Directors' declaration over the effectiveness of material internal controls which is set out in the 2024 UK Corporate Governance Code and will be applicable for the year-ending 31 March 2027. The Audit and Risk Committee has discussed the transition to the 2024 UK Corporate Governance Code and management's action plans on page 112.

Independent Auditor's Report to the members of National Grid plc continued

7.3 Our consideration of climate-related risks

Climate Change impacts National Grid's business in several ways as set out in the strategic report on page 36 of the Annual Report and Note 1 of the financial statements on pages 170 and 171. It represents a key strategic consideration of management.

We read the other information included in the Annual Report and considered (a) whether there was any material inconsistency between the other information and the financial statements; or (b) whether there were any material inconsistencies between the other information and our understanding of the business based on audit evidence obtained and conclusions reached in the audit.

We reviewed management's climate change risk assessment and evaluated the completeness of identified risks and the impact on the financial statements. We also considered the impact of climate change in our risk assessment procedures. Management's assessment included an overview of the legislative changes in the US and an evaluation of the possible future use of National Grid's US gas assets in a net zero carbon energy system. Both management's and our risk assessment identified the useful economic lives of the gas assets in the US, as a key judgement as described in note 13 to the financial statements.

In addition to the procedures mentioned above, with the involvement of our climate change specialists we:

- tested management's control of the review of the bottom-up risk identification and assessment;
- made enquiries to senior management to understand the potential impact of climate change risk including physical risks to producing assets, the potential changes to the macro-economic environment and the potential for the transition to a low carbon environment to occur quicker than anticipated;
- read the climate-related statements made by management (as disclosed in the 'Our Environment' section of the 'Responsible Business Review' in the Strategic Report) and considered whether these were in line with our understanding of management's approach to climate change and the narrative reporting was in line with the financial statements and the knowledge obtained throughout the audit;
- read the Task Force on Climate-related Financial Disclosures ('TCFD') and considered if any of the information disclosed was inconsistent with the information we obtained through our audit;
- performed analysis of risks disclosed within the annual reports of relevant peer companies; and
- read and considered external publications by recognised authorities on climate change.

7.4 Working with other auditors

The Group audit team are responsible for the scope and direction of the audit process and provide direct oversight, review and coordination of our component audit teams.

For each of the components that maintain separate financial records with in-scope balances, we have engaged component auditors from the Deloitte member firms in the US or the UK to perform procedures at these components on our behalf. This approach allows us to engage local auditors who have appropriate knowledge of local regulations to perform this audit work. We issued detailed instructions to the component auditors and directed and supervised their work.

We interacted regularly with the component Deloitte teams during each stage of the audit and reviewed key working papers. We maintained continuous and open dialogue with our component teams in addition to holding formal meetings to ensure that we were fully aware of their progress and the results of their procedures.

Our oversight of component auditors focused on the planning of their audit work and key judgements made. In particular, our supervision and direction focused on the work performed in relation to key estimates and judgements made by management. As part of our monitoring of component auditors, we participated in key local audit meetings.

The senior statutory auditor and other Group audit partners conducted visits to meet in person with component teams, which was supplemented by procedures performed remotely throughout the year. Their involvement included attending planning meetings, discussing the audit approach and any issues arising from the component team's work, meetings with local management, and reviewing key audit working papers on higher and significant-risk areas to drive a consistent and high-quality audit. The level of involvement of the lead audit partner and the Group audit team in the component audits has been extensive and we are satisfied that it has enabled us to conclude that sufficient appropriate audit evidence has been obtained in support of our opinion on the Group financial statements as a whole.

8. Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.	**We have nothing to report in this regard.**

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the members of National Grid plc continued

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets.
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the Audit and Risk Committee on 18 March 2025.
- results of our enquiries of management, internal audit, and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities.
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the engagement team, including component audit teams and our specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. The engagement team includes partners and staff who have extensive experience working with companies in the same sectors as National Grid operates, and this experience was relevant to the discussion about where fraud risks may arise. Fraud specialists also advised the engagement team of fraud schemes that had arisen in similar sectors and industries, and they participated in the initial fraud risk assessment discussions.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included UK Companies Act, Listing Rules, pensions legislation, tax legislation, UK Corporate Governance Code, as well as the US Securities Exchange Act 1934 and relevant SEC regulations, as well as laws and regulations prevailing in each country which we identified material operations.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's operating licences, environmental regulations, General Data Protection Requirements, US Foreign Corrupt Practices Act, and the UK Bribery Act.

11.2 Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to the risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- obtaining confirmations from external legal counsel concerning open litigation and claims;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with relevant regulatory authorities; and
- reviewing the outcome of the alleged fraud and bribery investigations as well as testing the entity-level controls, particularly in respect of the whistleblowing process.

In addressing the risk of fraud through management override of controls our procedures included:

- making enquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- using our data analytics tools, we selected and tested journal entries and other adjustments which were either made at the end of a reporting period or which identified activity that exhibited certain characteristics of audit interest;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- considering whether any significant transactions are outside the normal course of business, or that otherwise appear to be unusual due to their nature, timing or size; and
- performing focused analytical procedures on out of scope balances to identify any unusual or material transactions that may indicate a risk of material misstatement and evaluating the business rationale of such transactions.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and component audit teams. We remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 168;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 93;
- the Directors' statement on fair, balanced and understandable set out on pages 113 and 152;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 36 – 40;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 34 – 35; and
- the section describing the work of the Audit and Risk Committee set out on pages 112 – 118.

14. Matters on which we are required to report by exception

14.1 Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1 Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by the Shareholders at the Annual General Meeting held on 31 July 2017, to audit the financial statements for the year ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is eight years, covering the years ending 31 March 2018 to 31 March 2025.

15.2 Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

Christopher Thomas FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom
14 May 2025

Consolidated income statement

for the years ended 31 March

2025	Notes	Before exceptional items and remeasurements £m	Exceptional items and remeasurements (note 5) £m	Total £m
Continuing operations				
Revenue	2(a),3	**18,378**	**—**	**18,378**
Provision for bad and doubtful debts	4	**(200)**	**—**	**(200)**
Other operating costs	4,5	**(13,413)**	**169**	**(13,244)**
Operating profit	2(b)	**4,765**	**169**	**4,934**
Finance income	5,6	**449**	**1**	**450**
Finance costs	5,6	**(1,810)**	**3**	**(1,807)**
Share of post-tax results of joint ventures and associates	5,16	**75**	**(2)**	**73**
Profit before tax	2(b),5	**3,479**	**171**	**3,650**
Tax	5,7	**(861)**	**40**	**(821)**
Profit after tax from continuing operations		**2,618**	**211**	**2,829**
Profit after tax from discontinued operations	10	**4**	**72**	**76**
Total profit for the year (continuing and discontinued)		**2,622**	**283**	**2,905**
Attributable to:				
Equity shareholders of the parent		**2,619**	**283**	**2,902**
Non-controlling interests		**3**	**—**	**3**
Earnings per share (pence)				
Basic earnings per share (continuing)	8			**60.0**
Diluted earnings per share (continuing)	8			**59.8**
Basic earnings per share (continuing and discontinued)	8			**61.6**
Diluted earnings per share (continuing and discontinued)	8			**61.4**

2024	Notes	Before exceptional items and remeasurements £m	Exceptional items and remeasurements (note 5) £m	Total £m
Continuing operations				
Revenue	2(a),3	19,850	—	19,850
Provision for bad and doubtful debts	4	(179)	—	(179)
Other operating costs	4,5	(14,221)	(987)	(15,208)
Other operating income		12	—	12
Operating profit	2(b)	5,462	(987)	4,475
Finance income	5,6	244	4	248
Finance costs	5,6	(1,723)	11	(1,712)
Share of post-tax results of joint ventures and associates	5,16	101	(64)	37
Profit before tax	2(b),5	4,084	(1,036)	3,048
Tax	5,7	(983)	152	(831)
Profit after tax from continuing operations		3,101	(884)	2,217
Profit after tax from discontinued operations	10	13	61	74
Total profit for the year (continuing and discontinued)		3,114	(823)	2,291
Attributable to:				
Equity shareholders of the parent		3,113	(823)	2,290
Non-controlling interests		1	—	1
Earnings per share (pence)[1]				
Basic earnings per share (continuing)	8			55.5
Diluted earnings per share (continuing)	8			55.3
Basic earnings per share (continuing and discontinued)	8			57.4
Diluted earnings per share (continuing and discontinued)	8			57.1

1. Restated to reflect the impact of the bonus element of the Rights Issue (see note 27).

Consolidated income statement

for the years ended 31 March

2023	Notes	Before exceptional items and remeasurements £m	Exceptional items and remeasurements (note 5) £m	Total £m
Continuing operations				
Revenue	2(a),3	21,659	—	21,659
Provision for bad and doubtful debts	4	(220)	—	(220)
Other operating costs	4,5	(17,158)	(391)	(17,549)
Other operating income	5	13	976	989
Operating profit	2(b)	4,294	585	4,879
Finance income	5,6	166	(28)	138
Finance costs	5,6	(1,680)	82	(1,598)
Share of post-tax results of joint ventures and associates	5,16	190	(19)	171
Profit before tax	2(b),5	2,970	620	3,590
Tax	5,7	(635)	(241)	(876)
Profit after tax from continuing operations		2,335	379	2,714
Profit after tax from discontinued operations	10	320	4,763	5,083
Total profit for the year (continuing and discontinued)		2,655	5,142	7,797
Attributable to:				
Equity shareholders of the parent		2,655	5,142	7,797
Non-controlling interests		—	—	—
Earnings per share (pence)[1]				
Basic earnings per share (continuing)	8			68.6
Diluted earnings per share (continuing)	8			68.3
Basic earnings per share (continuing and discontinued)	8			197.1
Diluted earnings per share (continuing and discontinued)	8			196.2

1. Restated to reflect the impact of the bonus element of the Rights Issue (see note 27).

Consolidated statement of comprehensive income

for the years ended 31 March

	Notes	2025 £m	2024 £m	2023 £m
Profit after tax from continuing operations		**2,829**	2,217	2,714
Profit after tax from discontinued operations		**76**	74	5,083
Other comprehensive income from continuing operations				
Items from continuing operations that will never be reclassified to profit or loss:				
Remeasurement losses on pension assets and post-retirement benefit obligations	25	**(106)**	(218)	(1,362)
Net (losses)/gains in respect of cash flow hedging of capital expenditure		**(16)**	(37)	10
Tax on items that will never be reclassified to profit or loss	7	**27**	59	341
Total items from continuing operations that will never be reclassified to profit or loss		**(95)**	(196)	(1,011)
Items from continuing operations that may be reclassified subsequently to profit or loss:				
Retranslation of net assets offset by net investment hedge		**(352)**	(335)	883
Exchange differences reclassified to the consolidated income statement on disposal		**—**	—	(170)
Net gains in respect of cash flow hedges		**218**	240	—
Net (losses)/gains in respect of cost of hedging		**(52)**	26	(16)
Net gains/(losses) on investment in debt instruments measured at fair value through other comprehensive income		**1**	21	(25)
Share of other comprehensive income of associates, net of tax		**—**	—	1
Tax on items that may be reclassified subsequently to profit or loss	7	**(40)**	(66)	11
Total items from continuing operations that may be reclassified subsequently to profit or loss		**(225)**	(114)	684
Other comprehensive loss		**(320)**	(310)	(327)
Other comprehensive (loss)/income for the year, net of tax from discontinued operations	10	**(10)**	10	(227)
Other comprehensive loss		**(330)**	(300)	(554)
Total comprehensive income for the year from continuing operations		**2,509**	1,907	2,387
Total comprehensive income for the year from discontinued operations	10	**66**	84	4,856
Total comprehensive income for the year		**2,575**	1,991	7,243
Attributable to:				
Equity shareholders of the parent				
From continuing operations		**2,508**	1,906	2,386
From discontinued operations		**66**	84	4,856
		2,574	1,990	7,242
Non-controlling interests				
From continuing operations		**1**	1	1

Consolidated statement of changes in equity

for the years ended 31 March

	Notes	Share capital £m	Share premium account £m	Retained earnings £m	Other equity reserves[1] £m	Total shareholders' equity £m	Non-controlling interests £m	Total equity £m
At 31 March 2022		485	1,300	26,611	(4,563)	23,833	23	23,856
Profit for the year		—	—	7,797	—	7,797	—	7,797
Other comprehensive (loss)/income for the year		—	—	(1,253)	698	(555)	1	(554)
Total comprehensive income for the year		—	—	6,544	698	7,242	1	7,243
Equity dividends		—	—	(1,607)	—	(1,607)	—	(1,607)
Scrip dividend-related share issue[2]		3	(3)	—	—	—	—	—
Issue of treasury shares		—	—	16	—	16	—	16
Transactions in own shares		—	5	(4)	—	1	—	1
Share-based payments		—	—	48	—	48	—	48
Cash flow hedges transferred to the statement of financial position, net of tax		—	—	—	5	5	—	5
At 1 April 2023		488	1,302	31,608	(3,860)	29,538	24	29,562
Profit for the year		—	—	2,290	—	2,290	1	2,291
Other comprehensive loss for the year		—	—	(168)	(132)	(300)	—	(300)
Total comprehensive income/(loss) for the year		—	—	2,122	(132)	1,990	1	1,991
Equity dividends		—	—	(1,718)	—	(1,718)	—	(1,718)
Scrip dividend-related share issue[2]		5	(6)	—	—	(1)	—	(1)
Issue of treasury shares		—	—	21	—	21	—	21
Transactions in own shares		—	2	(6)	—	(4)	—	(4)
Share-based payments		—	—	37	—	37	—	37
Tax on share-based payments		—	—	2	—	2	—	2
Cash flow hedges transferred to the statement of financial position, net of tax		—	—	—	2	2	—	2
At 1 April 2024		493	1,298	32,066	(3,990)	29,867	25	29,892
Profit for the year		—	—	2,902	—	2,902	3	2,905
Other comprehensive loss for the year		—	—	(80)	(248)	(328)	(2)	(330)
Total comprehensive income/(loss) for the year		—	—	2,822	(248)	2,574	1	2,575
Rights Issue	27	135	—	—	6,704	6,839	—	6,839
Transfer between reserves	27	—	—	6,704	(6,704)	—	—	—
Equity dividends		—	—	(1,529)	—	(1,529)	—	(1,529)
Scrip dividend-related share issue[2]		10	(10)	—	—	—	—	—
Issue of treasury shares		—	—	18	—	18	—	18
Transactions in own shares		—	4	(11)	—	(7)	—	(7)
Other movements in non-controlling interests		—	—	—	—	—	(3)	(3)
Share-based payments		—	—	37	—	37	—	37
Tax on share-based payments		—	—	(1)	—	(1)	—	(1)
Cash flow hedges transferred to the statement of financial position, net of tax		—	—	—	5	5	—	5
At 31 March 2025		**638**	**1,292**	**40,106**	**(4,233)**	**37,803**	**23**	**37,826**

1. For further details of other equity reserves, see note 28.
2. Included within the share premium account are costs associated with scrip dividends.

Consolidated statement of financial position

as at 31 March

	Notes	2025 £m	2024 £m
Non-current assets			
Goodwill	11	**9,532**	9,729
Other intangible assets	12	**3,564**	3,431
Property, plant and equipment	13	**74,091**	68,907
Other non-current assets	14	**959**	848
Pension assets	25	**2,489**	2,407
Financial and other investments	15	**798**	880
Investments in joint ventures and associates	16	**608**	1,420
Derivative financial assets	17	**369**	324
Total non-current assets		**92,410**	87,946
Current assets			
Inventories	18	**557**	828
Trade and other receivables	19	**4,092**	3,415
Current tax assets		**11**	11
Financial and other investments	15	**5,753**	3,699
Derivative financial assets	17	**113**	44
Cash and cash equivalents	20	**1,178**	559
Assets held for sale	10	**2,628**	1,823
Total current assets		**14,332**	10,379
Total assets		**106,742**	98,325
Current liabilities			
Borrowings	21	**(4,662)**	(4,859)
Derivative financial liabilities	17	**(381)**	(335)
Trade and other payables	22	**(4,472)**	(4,076)
Contract liabilities	23	**(96)**	(127)
Current tax liabilities		**(219)**	(220)
Provisions	26	**(357)**	(298)
Liabilities held for sale	10	**(434)**	(1,474)
Total current liabilities		**(10,621)**	(11,389)
Non-current liabilities			
Borrowings	21	**(42,877)**	(42,213)
Derivative financial liabilities	17	**(821)**	(909)
Other non-current liabilities	24	**(876)**	(880)
Contract liabilities	23	**(2,418)**	(2,119)
Deferred tax liabilities	7	**(8,038)**	(7,519)
Pensions and other post-retirement benefit obligations	25	**(573)**	(593)
Provisions	26	**(2,692)**	(2,811)
Total non-current liabilities		**(58,295)**	(57,044)
Total liabilities		**(68,916)**	(68,433)
Net assets		**37,826**	29,892
Equity			
Share capital	27	**638**	493
Share premium account		**1,292**	1,298
Retained earnings		**40,106**	32,066
Other equity reserves	28	**(4,233)**	(3,990)
Total shareholders' equity		**37,803**	29,867
Non-controlling interests		**23**	25
Total equity		**37,826**	29,892

The consolidated financial statements set out on pages 162 – 247 were approved by the Board of Directors on 14 May 2025 and were signed on its behalf by:

John Pettigrew
Chief Executive

Andy Agg
Chief Financial Officer

National Grid plc
Registered number: 4031152

Consolidated cash flow statement

for the years ended 31 March

	Notes	2025 £m	2024 £m	2023 £m
Cash flows from operating activities				
Total operating profit from continuing operations	2(b)	**4,934**	4,475	4,879
Adjustments for:				
Exceptional items and remeasurements	5	**(169)**	987	(585)
Other fair value movements		**66**	(16)	21
Depreciation, amortisation and impairment		**2,175**	2,061	1,984
Share-based payments		**37**	37	48
Changes in working capital		**104**	(49)	286
Changes in provisions		**10**	(154)	23
Changes in pensions and other post-retirement benefit obligations		**(90)**	31	(46)
Cash flows relating to exceptional items		**(76)**	(91)	(178)
Cash generated from operations – continuing operations		**6,991**	7,281	6,432
Tax paid		**(183)**	(342)	(89)
Net cash inflow from operating activities – continuing operations		**6,808**	6,939	6,343
Net cash inflow from operating activities – discontinued operations		**–**	–	555
Cash flows from investing activities				
Purchases of intangible assets		**(526)**	(549)	(567)
Purchases of property, plant and equipment		**(8,780)**	(6,904)	(6,325)
Disposals of property, plant and equipment		**26**	52	87
Investments in joint ventures and associates		**(396)**	(332)	(443)
Dividends received from joint ventures, associates and other investments		**126**	176	190
Disposal of interest in the UK Electricity System Operator[1]	10	**577**	–	–
Disposal of interest in the UK Gas Transmission business[1]	10	**686**	681	4,027
Disposal of interest in The Narragansett Electric Company[1]		**–**	–	2,968
Disposal of interest in Millennium Pipeline Company LLC		**–**	–	497
Disposal of financial and other investments		**85**	102	116
Acquisition of financial investments		**(122)**	(81)	(95)
Contributions to National Grid Renewables and Emerald Energy Venture LLC		**–**	(19)	(19)
Net movements in short-term financial investments		**(2,606)**	(1,141)	586
Interest received	29(b)	**332**	148	65
Cash inflows on derivatives	29(b)	**11**	123	–
Cash outflows on derivatives	29(b)	**(6)**	–	(362)
Cash flows relating to exceptional items		**–**	143	79
Net cash flow (used in)/from investing activities – continuing operations		**(10,593)**	(7,601)	804
Net cash flow from/(used in) investing activities – discontinued operations		**22**	102	(564)
Cash flows from financing activities				
Proceeds of Rights Issue	27	**7,001**	–	–
Transaction fees related to Rights Issue	27	**(162)**	–	–
Proceeds from issue of treasury shares		**18**	20	16
Transactions in own shares		**(7)**	(4)	1
Proceeds received from loans	29(b)	**3,237**	5,563	11,908
Repayment of loans	29(b)	**(2,861)**	(1,701)	(15,260)
Payments of lease liabilities	29(b)	**(130)**	(118)	(155)
Net movements in short-term borrowings	29(b)	**925**	544	(511)
Cash inflows on derivatives	29(b)	**62**	86	190
Cash outflows on derivatives	29(b)	**(106)**	(58)	(118)
Interest paid	29(b)	**(1,920)**	(1,627)	(1,430)
Dividends paid to shareholders	9	**(1,529)**	(1,718)	(1,607)
Net cash flow from/(used in) financing activities – continuing operations		**4,528**	987	(6,966)
Net cash flow used in financing activities – discontinued operations		**–**	–	(207)
Net increase/(decrease) in cash and cash equivalents	29(b)	**765**	427	(35)
Reclassification to held for sale	10,29(b)	**(123)**	(30)	9
Exchange movements	29(b)	**(23)**	(1)	7
Cash and cash equivalents at start of year		**559**	163	182
Cash and cash equivalents at end of year	20	**1,178**	559	163

1. Balances consist of cash proceeds received, net of cash disposed.

Notes to the consolidated financial statements

1. Basis of preparation and recent accounting developments

Accounting policies describe our approach to recognising and measuring transactions and balances in the year. The accounting policies applicable across the financial statements are shown below, whereas accounting policies that are specific to a component of the financial statements have been incorporated into the relevant note.

This section also shows areas of judgement and key sources of estimation uncertainty in these financial statements. In addition, we have summarised new International Accounting Standards Board (IASB) and UK endorsed accounting standards, amendments and interpretations and whether these are effective for this year end or in later years, explaining how significant changes are expected to affect our reported results.

National Grid's principal activities involve the transmission and distribution of electricity in Great Britain and of electricity and gas in northeastern US. The Company is a public limited liability company incorporated and domiciled in England and Wales, with its registered office at 1–3 Strand, London, WC2N 5EH.

The Company, National Grid plc, which is the ultimate parent of the Group, has its primary listing on the London Stock Exchange and is also quoted on the New York Stock Exchange.

These consolidated financial statements were approved for issue by the Board on 14 May 2025.

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and IFRS as adopted by the UK. They are prepared on the basis of all IFRS accounting standards and interpretations that are mandatory for the period ended 31 March 2025 and in accordance with the Companies Act 2006. The comparative financial information has also been prepared on this basis.

The consolidated financial statements have been prepared on a historical cost basis, except for the recording of pension assets and liabilities, the revaluation of derivative financial instruments and certain commodity contracts and certain financial assets and liabilities measured at fair value.

These consolidated financial statements are presented in pounds sterling, which is also the functional currency of the Company.

The notes to the financial statements have been prepared on a continuing basis unless otherwise stated.

Our income statement and segmental analysis separately identify financial results before and after exceptional items and remeasurements. We continue to use a columnar presentation as we consider it improves the clarity of the presentation, is consistent with the way that financial performance is measured by management and reported to the Board and the Executive Committee, and assists users of the financial statements to understand the results. The inclusion of total profit for the period from continuing operations before exceptional items and remeasurements is used to derive part of the incentive target set annually for remunerating certain Executive Directors and accordingly, we believe it is important for users of the financial statements to understand how this compares with our results on a statutory basis and period on period.

A. Going concern

As part of the Directors' consideration of the appropriateness of adopting the going concern basis of accounting in preparing these financial statements, the Directors have assessed the principal risks discussed on pages 34 – 41 alongside potential downside business cash flow scenarios impacting the Group's operations. The Directors specifically considered both a base case and reasonable worst-case scenario for business cash flows.

The main cash flow impacts identified in the reasonable worst-case scenario are:
- the timing of the sale of assets classified as held for sale (see note 10);
- adverse impacts of higher spend on our capital expenditure programme;
- adverse impact from timing across the Group (i.e. a net under-recovery of allowed revenues or reductions in over-collections) and slower collections of outstanding receivables;
- higher operating and financing costs than expected, including non-delivery of planned efficiencies across the Group; and
- the potential impact of further significant storms in the US.

As part of its analysis, the Board also considered the following potential levers at their discretion to improve the position identified by the analysis if the debt capital markets are not accessible:
- the payment of dividends to shareholders;
- significant changes in the phasing of the Group's capital expenditure programme, with elements of non-essential works and programmes delayed; and
- a number of further reductions in operating expenditure across the Group.

Having considered the reasonable worst-case scenario and the further levers at the Board's discretion, the Group continues to have headroom against the Group's committed facilities identified in note 33 to the financial statements.

In addition to the above, the ability to raise new and extend existing financing was separately included in the analysis, and the Directors noted £3.2 billion of new long-term senior debt issued in the period from 1 April 2024 to 31 March 2025 as evidence of the Group's ability to continue to have access to the debt capital markets if needed.

Based on the above, the Directors have concluded the Group is well placed to manage its financing and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing date of these consolidated financial statements. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

1. Basis of preparation and recent accounting developments continued

B. Basis of consolidation

The consolidated financial statements incorporate the results, assets and liabilities of the Company and its subsidiaries, together with a share of the results, assets and liabilities of joint operations.

A subsidiary is defined as an entity controlled by the Group. Control is achieved where the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group accounts for joint ventures and associates using the equity method of accounting, where the investment is carried at cost plus post-acquisition changes in the share of net assets of the joint venture or associate, less any provision for impairment. Losses in excess of the consolidated interest in joint ventures and associates are not recognised, except where the Company or its subsidiaries have made a commitment to make good those losses.

Where necessary, adjustments are made to bring the accounting policies used in the individual financial statements of the Company, subsidiaries, joint operations, joint ventures and associates into line with those used by the Group in its consolidated financial statements under IFRS. Intercompany transactions are eliminated.

The results of subsidiaries, joint operations, joint ventures and associates acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Acquisitions are accounted for using the acquisition method, where the purchase price is allocated to the identifiable assets acquired and liabilities assumed on a fair value basis and the remainder recognised as goodwill.

C. Foreign currencies

Transactions in currencies other than the functional currency of the Company or subsidiary concerned are recorded at the rates of exchange prevailing on the date of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at closing exchange rates. Non-monetary assets are not retranslated unless they are carried at fair value.

Gains and losses arising on the retranslation of monetary assets and liabilities are included in the income statement, except where the application of hedge accounting requires inclusion in other comprehensive income (see note 32(e)).

On consolidation, the assets and liabilities of operations that have a functional currency different from the Company's functional currency of pounds sterling, principally our US operations that have a functional currency of US dollars, are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period where these do not differ materially from rates at the date of the transaction. Exchange differences arising are recognised in other comprehensive income and transferred to the consolidated translation reserve within other equity reserves (see note 28).

D. Disposal of the UK Electricity System Operator (ESO)

In October 2023, legislation required to enable the separation of the ESO and the formation of the National Energy System Operator (NESO), which is now responsible across both the electricity and gas systems, was passed through Parliament (see note 10). On 1 October 2024, the Group completed the disposal for consideration of £673 million, recognising a gain on disposal of £187 million which has been classified as exceptional (see note 5). The ESO did not meet the criteria for classification as a discontinued operation and therefore its results have not been separately disclosed on the face of the income statement, and are instead included within the results from continuing operations.

E. Disposal of the UK Gas Transmission business

As described in note 10, on 26 September 2024 the Group completed the disposal of its final 20% interest in the UK Gas Transmission business (held through its associate GasT TopCo Limited) that was classified as held for sale. The gain on disposal of GasT TopCo Limited has been recorded within discontinued operations. As an associate held for sale, the Group did not recognise any share of results in the period prior to disposal.

Notes to the consolidated financial statements continued

1. Basis of preparation and recent accounting developments continued

F. Areas of judgement and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Information about such judgements and estimations is in the notes to the financial statements, and the key areas are summarised below.

Areas of judgement that have the most significant effect on the amounts recognised in the financial statements are:

- categorisation of certain items as exceptional items or remeasurements and the definition of adjusted earnings (see notes 5 and 8). In applying the Group's exceptional items framework, we have considered a number of key matters, as detailed in note 5;
- the judgement that it is appropriate to classify our liquefied natural gas storage business at the Isle of Grain in the UK (Grain LNG) and National Grid Renewables Development LLC (NG Renewables), our US onshore renewables business, as held for sale, as detailed in note 10; and
- the judgement that, notwithstanding legislation enacted and targets committing the states of New York and Massachusetts to achieving net zero greenhouse gas emissions by 2050, these do not shorten the remaining useful economic lives (UELs) of our US gas network assets, which we consider will have an expected use and utility beyond 2050 (see key sources of estimation uncertainty below and note 13).

Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- the cash flows and real discount rates applied in determining the US environmental provisions, in particular relating to three Superfund sites and certain other legacy Manufacturing Gas Plant (MGP) sites (see note 26);
- the estimates made regarding the UELs of our gas network assets due to uncertainty over the pace of delivery of the energy transition and the multiple pathways by which it could be delivered. Our estimates consider anticipated changes in customer behaviour and developments in new technology, the potential to decarbonise fuel through the use of renewable natural gas and green hydrogen, and the feasibility and affordability of increased electrification (see note 13 for details and sensitivity analysis); and
- the valuation of liabilities for pensions and other post-retirement benefits (see note 25).

In order to illustrate the impact that changes in assumptions for the valuation of pension assets and liabilities and cash flows for environmental provisions could have on our results and financial position, we have included sensitivity analysis in note 35.

G. Impact of climate change and the transition to net zero

In preparing these financial statements for the year ended 31 March 2025, management has taken into account the Group's commitments regarding its transition to net zero and the impact of climate change. The Group has a published climate transition plan which sets out its targets to achieve this commitment by 2050, in line with the Paris Agreement. Management has also identified a number of significant climate-related risks and opportunities, as set out within the Task Force on Climate-related Financial Disclosures (TCFD) on pages 59 – 78. Changes to the Group's commitments and the impact of climate change may have a material impact on the currently reported amounts of the Group's assets and liabilities and on similar assets and liabilities that may be recognised in future reporting periods, as set out above with respect to the judgement and key source of estimation uncertainty regarding the UELs of our US gas network assets. Other climate and transition impacts are further detailed below.

Repairs to property, plant and equipment and climate adaptation activities

The Group's network assets recorded within property, plant and equipment (PP&E) are at risk of physical impacts from extreme weather events such as major storms which may be accentuated by increased frequency of weather incidents and changing long-term climate trends, thereby leading to asset damage. As set out in the Financial review on pages 79 – 92, major storm costs in the US, net of deductibles and disallowances, incurred by the Group are recoverable as revenue in future periods under our rate plans but the associated repair costs are expensed as incurred as other operating costs under IFRS.

Impairment of property, plant and equipment and goodwill

Included within the Group's plant and machinery (see note 13) are £295 million of oil- and gas-fired electricity generation units with approximately 3,800 MW of electric generation capacity located in Long Island, New York. While the Group retains ownership of these assets, it sells all of the capacity, 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.

The maximum UEL for these units ends in 2040, which aligns to the target set by the state of New York to achieve decarbonised power generation by 2040. However, there is a risk that the UEL of certain, or all, of the units may be shortened, depending on the progress of decarbonisation activities in Long Island. The Group believes there are no material accounting judgements in respect of the generation assets and the UELs have not been accelerated in the year.

The UELs of our assets related to our commercial operations in LNG at Providence, Rhode Island are informed by the recovery periods used for ratemaking purposes and the majority of the UELs are covered by fixed price service contracts. The net book value of these assets will be immaterial by 2050. The assets related to the Group's LNG storage facility at the Isle of Grain in the UK were classified as held for sale in the year and have a maximum UEL to 2045, which is in line with the current commercial contracts. Accordingly, the Group believes there are no material accounting judgements in respect of the UELs of the LNG assets as of 31 March 2025.

1. Basis of preparation and recent accounting developments continued

G. Impact of climate change and the transition to net zero continued

The net zero pathway may also impact our US gas networks which in turn may affect the recoverable amount of our New York and New England cash-generating units (CGUs). In assessing the recoverability of our CGUs (see note 11), we calculate the value-in-use based on projections that incorporate our best estimates of future cash flows and assumptions pertaining to the net zero plans of the jurisdictions that we operate in. In respect of our New York and New England CGUs, our forecast cash flow duration used in our impairment testing is five years. We apply a terminal growth rate informed by expected long-term economic inflation and the discount rate used takes into consideration the potential impact of net zero plans on our gas business. Accordingly, the impact of certain variables that will play out in the medium to long term as a result of the anticipated transition to decarbonised power generation are not anticipated to have an impact on the recoverable amount of our New York and New England CGUs.

Decommissioning provisions

Provisions to decommission significant portions of our regulated transmission and distribution assets are not recognised where no legal obligations exist, and a realistic alternative exists to incurring costs to decommission assets at the end of their life. Included within the Group's decommissioning provisions as at 31 March 2025 (see note 26) is £62 million relating to legal requirements to remove asbestos upon major renovation or demolition of our oil- and gas-fired electricity generation structures and facilities located in Long Island, New York. As noted above, the progress of decarbonisation activities in Long Island may bring forward the decommissioning of these assets, thereby increasing the present value of associated decommissioning provisions. In the current year, there have been no material changes to the expected timing of decommissioning expenditures. Currently, the expected timing of decommissioning expenditures has not materially been brought forward but management will continue to review the facts and circumstances.

Sensitivity to commodity contract derivatives

The Group has contracts associated with the forward purchase of gas and enters into derivative financial instruments linked to commodity prices, including gas options and swaps which are used to manage market price volatility (see note 17(b)). As at 31 March 2025, the Group's gas commodity contract derivatives are primarily short-term and, accordingly, we do not anticipate a risk as a result of the transition to net zero.

H. Accounting policy choices

IFRS provides certain options available within accounting standards. Choices we have made, and continue to make, include the following:

- Presentational formats: we use the nature of expense method for our income statement and aggregate our statement of financial position to net assets and total equity. In the income statement, we present subtotals of total operating profit, profit before tax and profit after tax from continuing operations, together with additional subtotals excluding exceptional items and remeasurements as a result of the three-columnar presentation described earlier. Exceptional items and remeasurements are presented in a separate column on the face of the income statement.
- Financial instruments: we normally opt to apply hedge accounting in most circumstances where this is permitted (see note 32(e)).

I. New IFRS accounting standards and interpretations effective for the year ended 31 March 2025

The Group adopted the following new standards and amendments to standards which have had no material impact on the Group's results or financial statement disclosures:

- amendments to IAS 1 'Non-current Liabilities with Covenants' and 'Classification of Liabilities as Current or Non-current';
- amendments to IFRS 16 'Lease Liability in a Sale and Leaseback'; and
- amendments to IAS 7 and IFRS 7 'Supplier Finance Arrangements'.

J. New IFRS accounting standards and interpretations not yet adopted

The following new accounting standards and amendments to existing standards have been issued but are not yet effective or have not yet been endorsed by the UK:

- amendments to IAS 21 'Lack of exchangeability';
- IFRS 18 'Presentation and Disclosure in Financial Statements';
- IFRS 9 and IFRS 7 'Amendments to the Classification and Measurement of Financial Instruments';
- amendments to IFRS 9 and IFRS 7 'Contracts Referencing Nature-dependent Electricity';
- Annual Improvements to IFRS Accounting Standards – Volume 11; and
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures'.

Effective dates will be subject to the UK endorsement process.

The Group is currently assessing the impact of the above standards, but they are not expected to have a material impact other than in respect of IFRS 18.

IFRS 18 replaces IAS 1 and requires that companies classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Management-defined performance measures are disclosed in a single note and enhanced guidance is provided on the aggregation and disaggregation of information presented in the financial statements. The Group is in the process of assessing the impact of IFRS 18 and anticipates changes to certain presentational and disclosure-related matters in its consolidated financial statements in future periods.

The Group has not adopted any other standard, amendment or interpretation that has been issued but is not yet effective.

Notes to the consolidated financial statements continued

2. Segmental analysis

This note sets out the financial performance for the year split into the different parts of the business (operating segments). The performance of these operating segments is monitored and managed on a day-to-day basis. Revenue and the results of the business are analysed by operating segment, based on the information the Board of Directors uses internally for the purposes of evaluating the performance of each operating segment and determining resource allocation between them. The Board is National Grid's chief operating decision maker (as defined by IFRS 8 'Operating Segments') and as a matter of course, the Board considers multiple profitability measures by segment, being 'adjusted profit' and 'underlying profit'. Adjusted profit excludes exceptional items and remeasurements (as defined in note 5) and is used by management and the Board to monitor financial performance as it is considered that it aids the comparability of our reported financial performance from year to year. Underlying profit, as presented in the Annual Report and Accounts, represents adjusted profit and also excludes the effects of timing, major storm costs and deferred tax expenses in our UK Electricity Transmission and UK Electricity Distribution businesses. The measure of profit disclosed in this note and the primary profitability benchmark considered by the chief operating decision maker is operating profit before exceptional items and remeasurements, adjusted profit, as this is the measure that is most consistent with the IFRS results reported within these financial statements.

The results of our six principal businesses are reported to the Board of Directors and are accordingly treated as reportable operating segments. All other operating segments are reported to the Board of Directors on an aggregated basis. The following table describes the main activities for each reportable operating segment:

UK Electricity Transmission	The high-voltage electricity transmission networks in England and Wales. This includes our Accelerated Strategic Transmission Investment projects to connect more clean, low-carbon power to the transmission network in England and Wales.
UK Electricity Distribution	The electricity distribution networks of NGED in the East Midlands, West Midlands and South West of England and South Wales.
UK Electricity System Operator	The Great Britain system operator. The Group completed the disposal of the ESO to the UK Government on 1 October 2024 (see note 10).
New England	Electricity distribution networks, high-voltage electricity transmission networks and gas distribution networks in New England.
New York	Electricity distribution networks, high-voltage electricity transmission networks and gas distribution networks in New York.
National Grid Ventures	Comprises all commercial operations in LNG at the Isle of Grain in the UK and Providence, Rhode Island in the US, our electricity generation business in the US, our electricity interconnectors in the UK and our investment in NG Renewables, our renewables business in the US. While NGV operates outside our regulated core business, the electricity interconnectors in the UK are subject to indirect regulation by Ofgem regarding the level of returns they can earn. NG Renewables and Grain LNG were classified as held for sale in the year (see note 10).

Other activities that do not form part of any of the segments in the above table primarily relate to our UK property business together with insurance and corporate activities in the UK and US and the Group's investments in technology and innovation companies through National Grid Partners.

(a) Revenue

Revenue primarily represents the sales value derived from the generation, transmission and distribution of energy, together with the sales value derived from the provision of other services to customers. Refer to note 3 for further details.

Sales between operating segments are priced considering the regulatory and legal requirements to which the businesses are subject. The analysis of revenue by geographical area is on the basis of destination. There are no material sales between the UK and US geographical areas.

	2025			2024			2023		
	Total sales £m	**Sales between segments £m**	**Sales to third parties £m**	Total sales £m	Sales between segments £m	Sales to third parties £m	Total sales £m	Sales between segments £m	Sales to third parties £m
Operating segments – continuing operations:									
UK Electricity Transmission	**2,619**	**(135)**	**2,484**	2,735	(40)	2,695	1,987	(41)	1,946
UK Electricity Distribution	**2,424**	**(3)**	**2,421**	1,795	(5)	1,790	2,045	(12)	2,033
UK Electricity System Operator	**1,029**	**(17)**	**1,012**	3,788	(35)	3,753	4,690	(31)	4,659
New England	**4,306**	**—**	**4,306**	3,948	—	3,948	4,427	—	4,427
New York	**6,689**	**—**	**6,689**	6,094	—	6,094	6,994	—	6,994
National Grid Ventures	**1,397**	**(47)**	**1,350**	1,389	(57)	1,332	1,341	(58)	1,283
Other	**122**	**(6)**	**116**	244	(6)	238	317	—	317
Total revenue from continuing operations	**18,586**	**(208)**	**18,378**	19,993	(143)	19,850	21,801	(142)	21,659
Split by geographical areas – continuing operations:									
UK			**6,707**			9,063			9,611
US			**11,671**			10,787			12,048
Total revenue from continuing operations			**18,378**			19,850			21,659

2. Segmental analysis continued

(b) Operating profit

A reconciliation of the operating segments' measure of profit to profit before tax from continuing operations is provided below. Further details of the exceptional items and remeasurements are provided in note 5.

	Before exceptional items and remeasurements			Exceptional items and remeasurements			After exceptional items and remeasurements		
	2025 £m	2024 £m	2023 £m	**2025 £m**	2024 £m	2023 £m	**2025 £m**	2024 £m	2023 £m
Operating segments – continuing operations:									
UK Electricity Transmission	**1,277**	1,677	995	**–**	(3)	(2)	**1,277**	1,674	993
UK Electricity Distribution	**1,610**	993	1,091	**(12)**	(18)	(22)	**1,598**	975	1,069
UK Electricity System Operator	**(364)**	880	238	**151**	(498)	(1)	**(213)**	382	237
New England	**982**	643	708	**26**	(2)	424	**1,008**	641	1,132
New York	**1,023**	860	741	**246**	(498)	(200)	**1,269**	362	541
National Grid Ventures	**380**	469	490	**(375)**	89	467	**5**	558	957
Other	**(143)**	(60)	31	**133**	(57)	(81)	**(10)**	(117)	(50)
Total operating profit from continuing operations	**4,765**	5,462	4,294	**169**	(987)	585	**4,934**	4,475	4,879
Split by geographical area – continuing operations:									
UK	**2,775**	3,923	2,825	**257**	(487)	26	**3,032**	3,436	2,851
US	**1,990**	1,539	1,469	**(88)**	(500)	559	**1,902**	1,039	2,028
Total operating profit from continuing operations	**4,765**	5,462	4,294	**169**	(987)	585	**4,934**	4,475	4,879

	Before exceptional items and remeasurements			Exceptional items and remeasurements			After exceptional items and remeasurements		
	2025 £m	2024 £m	2023 £m	**2025 £m**	2024 £m	2023 £m	**2025 £m**	2024 £m	2023 £m
Reconciliation to profit before tax:									
Operating profit from continuing operations	**4,765**	5,462	4,294	**169**	(987)	585	**4,934**	4,475	4,879
Share of post-tax results of joint ventures and associates	**75**	101	190	**(2)**	(64)	(19)	**73**	37	171
Finance income	**449**	244	166	**1**	4	(28)	**450**	248	138
Finance costs	**(1,810)**	(1,723)	(1,680)	**3**	11	82	**(1,807)**	(1,712)	(1,598)
Profit before tax from continuing operations	**3,479**	4,084	2,970	**171**	(1,036)	620	**3,650**	3,048	3,590

The following items are included in the total operating profit by segment:

Depreciation, amortisation and impairment[1]	**2025 £m**	2024 £m	2023 £m
Operating segments:			
UK Electricity Transmission	**(540)**	(521)	(484)
UK Electricity Distribution	**(249)**	(223)	(223)
UK Electricity System Operator	**–**	(61)	(101)
New England	**(469)**	(420)	(393)
New York	**(731)**	(658)	(620)
National Grid Ventures	**(173)**	(166)	(149)
Other	**(13)**	(12)	(14)
Total	**(2,175)**	(2,061)	(1,984)
Asset type:			
Property, plant and equipment	**(1,878)**	(1,769)	(1,700)
Non-current intangible assets	**(297)**	(292)	(284)
Total	**(2,175)**	(2,061)	(1,984)

1. Depreciation, amortisation and impairment relates to property, plant and equipment and other intangible assets. The charge is stated net of depreciation and amortisation capitalised.

Notes to the consolidated financial statements continued

2. Segmental analysis continued

(c) Capital investment

Capital investment represents additions to property, plant and equipment, prepayments to suppliers to secure production capacity in relation to our capital projects, non-current intangibles and additional equity investments in joint ventures and associates. Capital investments exclude additions for assets or businesses from the point they are classified as held for sale.

	2025 £m	2024 £m	2023 £m
Operating segments:			
UK Electricity Transmission	**2,999**	1,912	1,301
UK Electricity Distribution	**1,426**	1,247	1,220
UK Electricity System Operator	**—**	85	108
New England	**1,751**	1,673	1,527
New York	**3,289**	2,654	2,454
National Grid Ventures	**378**	662	970
Other	**4**	2	13
Total	**9,847**	8,235	7,593
Asset type:			
Property, plant and equipment	**8,894**	7,124	6,783
Non-current intangible assets	**478**	481	578
Equity investments in joint ventures and associates	**116**	332	197
Capital expenditure prepayments	**359**	298	35
Total	**9,847**	8,235	7,593

(d) Geographical analysis of non-current assets

Non-current assets by geography comprise goodwill, other intangible assets, property, plant and equipment, investments in joint ventures and associates and other non-current assets.

	2025 £m	2024 £m	2023 £m
Split by geographical area:			
UK	**42,623**	40,065	38,043
US	**46,131**	44,270	41,761
	88,754	84,335	79,804
Reconciliation to total non-current assets:			
Pension assets	**2,489**	2,407	2,645
Financial and other investments	**798**	880	859
Derivative financial assets	**369**	324	276
Non-current assets	**92,410**	87,946	83,584

3. Revenue

Revenue arises in the course of ordinary activities and principally comprises:
- transmission services;
- distribution services; and
- generation services.

Transmission services, distribution services and certain other services (excluding rental income) fall within the scope of IFRS 15 'Revenue from Contracts with Customers', whereas generation services (which solely relate to the contract with LIPA in the US) are accounted for under IFRS 16 'Leases' as rental income, also presented within revenue. Revenue is recognised to reflect the transfer of goods or services to customers at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods or services and excludes amounts collected on behalf of third parties and value added tax. The Group recognises revenue when it transfers control over a product or service to a customer.

Revenue in respect of regulated activities is determined by regulatory agreements that set the price to be charged for services in a given period based on pre-determined allowed revenues. Variances in service usage can result in actual revenue collected exceeding (over-recoveries) or falling short (under-recoveries) of allowed revenues. Where regulatory agreements allow the recovery of under-recoveries or require the return of over-recoveries, the allowed revenue for future periods is typically adjusted. In these instances, no assets or liabilities are recognised for under- or over-recoveries respectively, because the adjustment relates to future customers and services that have not yet been delivered.

Revenue in respect of non-regulated activities primarily relates to the sale of capacity on our interconnectors, which is determined at auctions. Capacity is sold in either day, month, quarter or year-ahead tranches. The price charged is determined by market fundamentals rather than regulatory agreement. The interconnectors are subject to indirect regulation with regard to the levels of returns they are allowed to earn. Where amounts fall below this range they receive top-up revenues and where amounts exceed this range they must pass back the excess. In these instances, assets or liabilities are recognised for the top-up or pass-back respectively.

Below, we include a description of principal activities, by reportable segment, from which the Group generates its revenue. For more detailed information about our segments, see note 2.

(a) UK Electricity Transmission

The UK Electricity Transmission segment principally generates revenue by providing electricity transmission services in England and Wales. Our business operates as a monopoly regulated by Ofgem, which has established price control mechanisms that set the amount of annual allowed returns our business can earn (along with the Scottish and Offshore transmission operators amongst others).

The transmission of electricity encompasses the following principal services:
- the supply of high-voltage electricity – revenue is recognised based on usage. Our performance obligation is satisfied over time as our customers make use of our network. We bill monthly in advance and our payment terms are up to 60 days. Price is determined prior to our financial year end with reference to the regulated allowed returns and estimated annual volumes; and
- construction work (principally for connections) – revenue is recognised over time, as we provide access to our network. Customers can either pay over the useful life of the connection or up front. Where the customer pays up front, revenues are deferred as a contract liability and released over the life of the asset.

For other construction where there is no consideration for any future services (for example diversions), revenues are recognised as the construction work is completed.

(b) UK Electricity Distribution

The UK Electricity Distribution segment principally generates revenue by providing electricity distribution services in the Midlands and South West of England and South Wales. Similar to UK Electricity Transmission, UK Electricity Distribution operates as a monopoly in the jurisdictions that it operates in and is regulated by Ofgem.

The distribution of electricity encompasses the following principal services:
- electricity distribution – revenue is recognised based on usage by customers (over time), based upon volumes and price. The price control mechanism that determines our annual allowances is similar to UK Electricity Transmission. Revenues are billed monthly and payment terms are typically within 14 days; and
- construction work (principally for connections) – revenue is recognised over time as we provide access to our network. Where the customer pays up front, revenues are deferred as a contract liability and released over the life of the asset.

For other construction where there is no consideration for any future services, revenues are recognised as the construction work is completed.

(c) UK Electricity System Operator

The Group disposed of the UK Electricity System Operator on 1 October 2024. Prior to its disposal and the formation of the NESO, the UK Electricity System Operator earned revenue for balancing supply and demand of electricity on Great Britain's electricity transmission system, where it acted as principal. Balancing services are regulated by Ofgem and revenue payable by generators and suppliers of electricity was recognised as the service was provided.

The UK Electricity System Operator also collected revenues on behalf of transmission operators, principally National Grid Electricity Transmission plc and the Scottish and Offshore transmission operators, from users (electricity suppliers) who connect to or use the transmission system. As the UK Electricity System Operator acted as an agent in this capacity, transmission network revenues were recorded net of payments to transmission operators.

Notes to the consolidated financial statements continued

3. Revenue continued

(d) New England

The New England segment principally generates revenue by providing electricity and gas supply and distribution services and high-voltage electricity transmission services in New England. Supply and distribution services are regulated by the Massachusetts Department of Public Utilities (MADPU) and transmission services are regulated by the Federal Energy Regulatory Commission (FERC), both of whom regulate the rates that can be charged to customers.

The supply and distribution of electricity and gas and the provision of electricity transmission facilities encompasses the following principal services:

- electricity and gas supply and distribution and electricity transmission – revenue is recognised based on usage by customers (over time). Revenues are billed monthly and payment terms are 30 days; and
- construction work (principally for connections) – revenue is recognised over time as we provide access to our network. Where the customer pays up front, revenues are deferred as a contract liability or customer contributions (where they relate to government entities) and released over the life of the connection.

(e) New York

The New York segment principally generates revenue by providing electricity and gas supply and distribution services and high-voltage electricity transmission services in New York. Supply and distribution services are regulated by the New York Public Service Commission (NYPSC) and transmission services are regulated by the FERC, both of which regulate the rates that can be charged to customers.

The supply and distribution of electricity and gas and the provision of electricity transmission facilities encompasses the following principal services:

- electricity and gas supply and distribution and electricity transmission – revenue is recognised based on usage by customers (over time). Revenues are billed monthly and payment terms are 30 days; and
- construction work (principally for connections) – revenue is recognised over time as we provide access to our network. Where the customer pays up front, revenues are deferred as a contract liability or customer contributions (where they relate to government entities) and released over the life of the connection.

(f) National Grid Ventures

National Grid Ventures generates revenue from electricity interconnectors, LNG at the Isle of Grain in the UK and Providence, Rhode Island in the US, NG Renewables and rental income.

The Group recognises revenue from transmission services through interconnectors and LNG importation at the Isle of Grain and Providence by means of customers' use of capacity and volumes. Revenue is recognised over time and is billed monthly. Payment terms are up to 30 days. Grain LNG was classified as held for sale in the year (see note 10).

Electricity generation revenue is earned from the provision of energy services and supply capacity to produce energy for the use of customers of LIPA through a power supply agreement, where LIPA receives all of the energy and capacity from the asset until at least 2028. The arrangement is treated as an operating lease within the scope of the leasing standard where we act as lessor, with rental income being recorded as other revenue, which forms part of total revenue. Lease payments (capacity payments) are recognised on a straight-line basis and variable lease payments are recognised as the energy is generated.

Other revenue in the scope of IFRS 15 principally includes sales of renewables projects from NG Renewables to Emerald Energy Venture LLC (Emerald), which is jointly controlled by National Grid and Washington State Investment Board (WSIB). NG Renewables develops wind and solar generation assets in the US, while Emerald has a right of first refusal to buy, build and operate those assets. Revenue is recognised as it is earned. NG Renewables, together with Emerald, was classified as held for sale in the year (see note 10).

Other revenue, recognised in accordance with standards other than IFRS 15, primarily comprises adjustments in respect of the interconnector cap and floor and Use of Revenue regimes constructed by Ofgem for certain wholly owned interconnector subsidiaries. Under the cap and floor regime, where an interconnector expects to exceed its total five-year cap, a provision and reduction in revenue is recognised in the current reporting period (see note 26). Where an interconnector does not expect to reach its five-year floor, either an asset will be recognised where a future inflow of economic benefits is considered virtually certain, or a contingent asset will be disclosed where the future inflow is concluded to be probable. Under the Use of Revenue framework, any revenues in excess of an agreed incentive level must be passed on as savings to consumers. Where the obligation to transfer excess revenues arises, a payable and reduction in revenue is recognised in the current reporting period.

(g) Other

Revenue in Other relates to our UK commercial property business. Revenue is predominantly recognised in accordance with standards other than IFRS 15 and comprises property sales by our UK commercial property business. Property sales are recorded when the sale is legally completed.

3. Revenue continued

(h) Disaggregation of revenue

In the following tables, revenue is disaggregated by primary geographical market and major service lines. The table below reconciles disaggregated revenue with the Group's reportable segments (see note 2).

Revenue for the year ended 31 March 2025	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	National Grid Ventures £m	Other £m	Total £m
Revenue under IFRS 15								
Transmission[1]	2,265	—	46	85	252	879	1	3,528
Distribution	—	2,327	—	4,193	6,371	—	—	12,891
System Operator	—	—	966	—	—	—	—	966
Other[2]	29	90	—	9	16	171	3	318
Total IFRS 15 revenue	2,294	2,417	1,012	4,287	6,639	1,050	4	17,703
Other revenue								
Generation	—	—	—	—	—	384	—	384
Other[3]	190	4	—	19	50	(84)	112	291
Total other revenue	190	4	—	19	50	300	112	675
Total revenue from continuing operations	2,484	2,421	1,012	4,306	6,689	1,350	116	18,378

1. The UK Electricity System Operator transmission revenue generated in the period up until its disposal represents transmission revenues collected, net of payments made to transmission owners.
2. The UK Electricity Distribution other IFRS 15 revenue principally relates to engineering recharges, which are the recovery of costs incurred for construction work requested by customers, such as the rerouting of existing network assets. Within NGV, the other IFRS 15 revenue principally relates to revenue generated from our NG Renewables business which was classified as held for sale in the year (see note 10).
3. Other revenue, recognised in accordance with accounting standards other than IFRS 15, includes property sales by our UK commercial property business, rental income, income arising in connection with the Transition Services Agreements following the sales of NECO, the UK Gas Transmission business and the ESO, and an adjustment to NGV revenue in respect of the interconnector cap and floor and Use of Revenue regimes constructed by Ofgem.

Geographical split for the year ended 31 March 2025	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	National Grid Ventures £m	Other £m	Total £m
Revenue under IFRS 15								
UK	2,294	2,417	1,012	—	—	889	1	6,613
US	—	—	—	4,287	6,639	161	3	11,090
Total IFRS 15 revenue	2,294	2,417	1,012	4,287	6,639	1,050	4	17,703
Other revenue								
UK	190	4	—	—	—	(111)	11	94
US	—	—	—	19	50	411	101	581
Total other revenue	190	4	—	19	50	300	112	675
Total revenue from continuing operations	2,484	2,421	1,012	4,306	6,689	1,350	116	18,378

Revenue for the year ended 31 March 2024	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	National Grid Ventures £m	Other £m	Total £m
Revenue under IFRS 15								
Transmission[1]	2,591	—	(10)	73	493	869	—	4,016
Distribution	—	1,712	—	3,786	5,500	—	—	10,998
System Operator	—	—	3,763	—	—	—	—	3,763
Other[2]	25	73	—	8	15	168	4	293
Total IFRS 15 revenue	2,616	1,785	3,753	3,867	6,008	1,037	4	19,070
Other revenue								
Generation	—	—	—	—	—	360	—	360
Other[3]	79	5	—	81	86	(65)	234	420
Total other revenue	79	5	—	81	86	295	234	780
Total revenue from continuing operations	2,695	1,790	3,753	3,948	6,094	1,332	238	19,850

1. The UK Electricity System Operator transmission revenue generated in the year represents transmission revenues collected, net of payments made to transmission owners.
2. The UK Electricity Transmission and UK Electricity Distribution other IFRS 15 revenue principally relates to engineering recharges, which are the recovery of costs incurred for construction work requested by customers, such as the rerouting of existing network assets. Within NGV, the other IFRS 15 revenue principally relates to revenue generated from our NG Renewables business.
3. Other revenue, recognised in accordance with accounting standards other than IFRS 15, includes property sales by our UK commercial property business, rental income, income arising in connection with the Transition Services Agreements following the sales of NECO and the UK Gas Transmission business, and a provision and adjustment to NGV revenue in respect of the interconnector cap and floor and Use of Revenue regimes constructed by Ofgem.

Notes to the consolidated financial statements continued

3. Revenue continued

(h) Disaggregation of revenue continued

Geographical split for the year ended 31 March 2024	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	National Grid Ventures £m	Other £m	Total £m
Revenue under IFRS 15								
UK	2,616	1,785	3,753	—	—	878	1	9,033
US	—	—	—	3,867	6,008	159	3	10,037
Total IFRS 15 revenue	2,616	1,785	3,753	3,867	6,008	1,037	4	19,070
Other revenue								
UK	79	5	—	—	—	(76)	22	30
US	—	—	—	81	86	371	212	750
Total other revenue	79	5	—	81	86	295	234	780
Total revenue from continuing operations	2,695	1,790	3,753	3,948	6,094	1,332	238	19,850

Revenue for the year ended 31 March 2023	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	National Grid Ventures £m	Other £m	Total £m
Revenue under IFRS 15								
Transmission	1,868	—	126	52	567	791	—	3,404
Distribution	—	1,951	—	4,314	6,373	—	—	12,638
System Operator	—	—	4,533	—	—	—	—	4,533
Other[1]	31	77	—	8	13	131	—	260
Total IFRS 15 revenue	1,899	2,028	4,659	4,374	6,953	922	—	20,835
Other revenue								
Generation	—	—	—	—	—	394	—	394
Other[2]	47	5	—	53	41	(33)	317	430
Total other revenue	47	5	—	53	41	361	317	824
Total revenue from continuing operations	1,946	2,033	4,659	4,427	6,994	1,283	317	21,659

1. The UK Electricity Transmission and UK Electricity Distribution other IFRS 15 revenue principally relates to engineering recharges, which are the recovery of costs incurred for construction work requested by customers, such as the rerouting of existing network assets. Within NGV, the other IFRS 15 revenue principally relates to revenue generated from our NG Renewables business.
2. Other revenue, recognised in accordance with accounting standards other than IFRS 15, includes property sales by our UK commercial property business and rental income, income arising in connection with the Transition Services Agreements following the sales of NECO and the UK Gas Transmission business, and a provision and adjustment to NGV revenue in respect of the interconnector cap and floor regime constructed by Ofgem. In the year ended 31 March 2023, the Group also recognised other income relating to an insurance claim.

Geographical split for the year ended 31 March 2023	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	National Grid Ventures £m	Other £m	Total £m
Revenue under IFRS 15								
UK	1,899	2,028	4,659	—	—	799	—	9,385
US	—	—	—	4,374	6,953	123	—	11,450
Total IFRS 15 revenue	1,899	2,028	4,659	4,374	6,953	922	—	20,835
Other revenue								
UK	47	5	—	—	—	(31)	205	226
US	—	—	—	53	41	392	112	598
Total other revenue	47	5	—	53	41	361	317	824
Total revenue from continuing operations	1,946	2,033	4,659	4,427	6,994	1,283	317	21,659

Contract liabilities (see note 23) represent revenue to be recognised in future periods relating to contributions in aid of construction of £2,514 million (2024: £2,246 million; 2023: £2,006 million). Revenue is recognised over the life of the asset. The asset lives for connections in UK Electricity Transmission, UK Electricity Distribution, New England and New York are up to 40 years, 69 years, 50 years and 50 years respectively. The weighted average amortisation period over which revenue for contract liabilities is recognised is 22 years.

Future revenues in relation to unfulfilled performance obligations amount to £1.5 billion (2024: £6.1 billion; 2023: £5.0 billion). £1.5 billion (2024: £1.9 billion; 2023: £1.8 billion) relates to connection contracts in UK Electricity Transmission which will be recognised as revenue over a weighted average of 26 years. The comparative balances include revenues to be earned under contracts held by Grain LNG, which was classified as held for sale in the year.

The amount of revenue recognised for the year ended 31 March 2025 from performance obligations satisfied (or partially satisfied) in previous periods, mainly due to changes in the estimate of the stage of completion, is £nil (2024: £nil; 2023: £nil).

4. Other operating costs

Below we have presented separately certain items included in our operating costs from continuing operations. These include a breakdown of payroll costs (including disclosure of amounts paid to key management personnel) and fees paid to our auditors.

	Before exceptional items and remeasurements			Exceptional items and remeasurements			Total		
	2025 £m	2024 £m	2023 £m	2025 £m	2024 £m	2023 £m	2025 £m	2024 £m	2023 £m
Depreciation, amortisation and impairment[1]	2,175	2,061	1,984	—	—	—	2,175	2,061	1,984
Payroll costs	2,093	2,007	1,929	50	36	29	2,143	2,043	1,958
Purchases of electricity	1,501	1,487	1,808	(72)	10	247	1,429	1,497	2,055
Purchases of gas	1,633	1,323	2,413	(55)	(34)	103	1,578	1,289	2,516
Property and other taxes	1,402	1,279	1,302	—	—	—	1,402	1,279	1,302
UK electricity balancing costs	1,143	2,486	4,052	—	—	—	1,143	2,486	4,052
Impairment of joint venture	—	—	—	303	—	—	303	—	—
Other	3,466	3,578	3,670	(395)	975	12	3,071	4,553	3,682
Other operating costs	13,413	14,221	17,158	(169)	987	391	13,244	15,208	17,549
Provision for bad and doubtful debts	200	179	220	—	—	—	200	179	220
Total operating costs from continuing operations	13,613	14,400	17,378	(169)	987	391	13,444	15,387	17,769
Operating costs from continuing operations include:									
Inventory consumed							506	408	723
Research and development expenditure							43	32	23

1. Depreciation, amortisation and impairment relates to property, plant and equipment and other intangible assets. The charge is stated net of depreciation and amortisation capitalised.

(a) Payroll costs

	2025 £m	2024 £m	2023 £m
Wages and salaries[1]	3,497	3,206	2,971
Social security costs	279	256	244
Defined contribution scheme costs	144	129	98
Defined benefit pension costs	114	96	121
Share-based payments	37	37	46
Severance costs (excluding pension costs)	10	12	3
	4,081	3,736	3,483
Less: payroll costs capitalised	(1,938)	(1,693)	(1,525)
Total payroll costs from continuing operations	2,143	2,043	1,958

1. Included within wages and salaries are US other post-retirement benefit costs of £25 million (2024: £26 million; 2023: £37 million). For further information, refer to note 25.

(b) Number of employees

	31 March 2025	Monthly average 2025	31 March 2024	Monthly average 2024	31 March 2023	Monthly average 2023
UK	13,477	13,919	13,956	13,439	12,572	12,024
US	18,177	17,888	17,469	17,406	16,878	16,539
Total number of employees (continuing operations)	31,654	31,807	31,425	30,845	29,450	28,563

Notes to the consolidated financial statements continued

4. Other operating costs continued

(c) Key management compensation

	2025 £m	2024 £m	2023 £m
Short-term employee benefits	8	7	7
Share-based payments	4	5	6
Total key management compensation	**12**	12	13

Key management compensation relates to the Board, including the Executive Directors and Non-executive Directors, for the years presented.

(d) Directors' emoluments

Details of Executive Directors' emoluments are contained in the Remuneration Report on page 128 and those of Non-executive Directors on page 135. The Remuneration Report does not form part of these financial statements.

(e) Auditor's remuneration

Auditor's remuneration is presented below in accordance with the requirements of the Companies Act 2006 and the principal accountant fees and services disclosure requirements of Item 16C of Form 20-F:

	2025 £m	2024 £m	2023 £m
Audit fees payable to the Parent Company's auditor and their associates in respect of:			
Audit of the Parent Company's individual and consolidated financial statements[1]	2.8	2.8	2.9
The auditing of accounts of any associate of the Company	8.7	8.8	9.0
Other services supplied[2]	7.2	7.3	7.4
	18.7	18.9	19.3
Total other services[3]			
All other fees:			
Other assurance services[4]	1.0	4.0	1.4
Other non-audit services not covered above	—	—	0.2
	1.0	4.0	1.6
Total auditor's remuneration	**19.7**	22.9	20.9

1. Audit fees in each year represent fees for the audit of the Company's financial statements for the years ended 31 March 2025, 2024 and 2023.
2. Other services supplied represent fees payable for services in relation to other statutory filings or engagements that are required to be carried out by the auditor. In particular, this includes fees for reports under section 404 of the US Public Company Accounting Reform and Investor Protection Act of 2002 (Sarbanes-Oxley Act), audit reports on regulatory returns and the review of interim financial statements for the six-month periods ended 30 September 2024, 2023 and 2022 respectively.
3. There were no tax compliance or tax advisory fees and no audit-related fees as described in Item 16C(b) of Form 20-F.
4. In all years, principally relates to assurance services provided in relation to comfort letters for debt issuances and reporting accountant services. The year ended 31 March 2025 also includes fees for ESG reporting assurance.

The Audit & Risk Committee considers and makes recommendations to the Board, to be put to shareholders for approval at each AGM, in relation to the appointment, reappointment, removal and oversight of the Company's independent auditor. The Committee, under authority granted at the AGM, also considers and approves the audit fees on behalf of the Board in accordance with the Competition and Markets Authority Audit Order 2014. Details of our policies and procedures in relation to non-audit services to be provided by the independent auditor are set out on page 118 of the Corporate Governance Report.

Certain services are prohibited from being performed by the external auditor under the Sarbanes-Oxley Act and the FRC's 2019 Revised Ethical Standard. Of the above services, none were prohibited.

5. Exceptional items and remeasurements

To monitor our financial performance, we use an adjusted consolidated profit measure that excludes certain income and expenses. We exclude items from adjusted profit because, if included, these items could distort understanding of our performance for the year and the comparability between periods. This note analyses these items, which are included in our results for the year but are excluded from adjusted profit.

Exceptional items and remeasurements from continuing operations

	2025 £m	2024 £m	2023 £m
Included within operating profit			
Exceptional items:			
Provision for UK electricity balancing costs	**151**	(498)	–
Net gain on the sale of the ESO	**187**	–	–
Major transformation programme	**(74)**	–	–
Changes in environmental provisions	**146**	(496)	176
Transaction, separation and integration costs[1]	**(65)**	(44)	(117)
Impairment of joint venture	**(303)**	–	–
Cost efficiency programme	**–**	(65)	(100)
IFA fire	**–**	92	130
Net gain on disposal of NECO	**–**	–	511
Net gain on disposal of Millennium Pipeline Company LLC	**–**	–	335
	42	(1,011)	935
Remeasurements – commodity contract derivatives	**127**	24	(350)
	169	(987)	585
Included within finance income and costs			
Remeasurements:			
Net gains/(losses) on financial assets at fair value through profit and loss	**1**	4	(28)
Net gains on financing derivatives	**3**	11	82
	4	15	54
Included within share of post-tax results of joint ventures and associates			
Remeasurements:			
Net losses on financial instruments	**(2)**	(64)	(19)
Total included within profit before tax	**171**	(1,036)	620
Included within tax			
Tax on exceptional items	**76**	159	(316)
Tax on remeasurements	**(36)**	(7)	75
	40	152	(241)
Total exceptional items and remeasurements after tax	**211**	(884)	379
Analysis of total exceptional items and remeasurements after tax			
Exceptional items after tax	**118**	(852)	619
Remeasurements after tax	**93**	(32)	(240)
Total exceptional items and remeasurements after tax	**211**	(884)	379

1. Transaction, separation and integration costs represent the aggregate of distinct activities undertaken by the Group in the years presented.

Exceptional items

Management uses an exceptional items framework that has been discussed and approved by the Audit & Risk Committee. This follows a three-step process which considers the nature of the event, the financial materiality involved and any particular facts and circumstances. In considering the nature of the event, management focuses on whether the event is within the Group's control and how frequently such an event typically occurs. With respect to restructuring costs, these represent additional expenses incurred that are not related to the normal business and day-to-day activities. These can take place over multiple reporting periods given the scale of the Group, the nature and complexity of the transformation initiatives and due to the impact of strategic transactions. In determining the facts and circumstances, management considers factors such as ensuring consistent treatment between favourable and unfavourable transactions, the precedent for similar items, the number of periods over which costs will be spread or gains earned, and the commercial context for the particular transaction. The exceptional items framework was last updated in March 2022.

Items of income or expense that are considered by management for designation as exceptional items include significant restructurings, write-downs or impairments of non-current assets, significant changes in environmental or decommissioning provisions, integration of acquired businesses, gains or losses on disposals of businesses or investments and significant debt redemption costs as a consequence of transactions such as significant disposals or issues of equity, and the related tax, as well as deferred tax arising on changes to corporation tax rates.

Notes to the consolidated financial statements continued

5. Exceptional items and remeasurements continued

Exceptional items continued

Costs arising from efficiency and transformation programmes include redundancy costs. Redundancy costs are charged to the consolidated income statement in the year in which a commitment is made to incur the costs and the main features of the restructuring plan have been announced to affected employees.

Set out below are details of the transactions against which we have considered the application of our exceptional items framework in each of the years for which results are presented.

2025

Provision for UK electricity balancing costs

During the prior year, the ESO's operating profit increased due to a substantial over-recovery of allowed revenues received under its regulatory framework. As described in note 3, under IFRS a corresponding liability is not recognised for the return of over-recoveries as this relates to future customers and services that have not yet been delivered. Following legislation to enable the separation of the ESO and the formation of the NESO, the Group recognised a liability of £498 million in the year ended 31 March 2024 representing the element of the over-recovery that was expected to be settled through the sale process. In the year ended 31 March 2025 the liability was remeasured at £347 million to reflect the final amount of over-recovered revenues that transferred through with the ESO on disposal on 1 October 2024 (see note 10).

Net gain on sale of the ESO

On 1 October 2024, the Group completed the disposal of the ESO to the UK Government for consideration of £673 million (see note 10). As a result, the Group derecognised net assets of £486 million, resulting in a gain of £187 million. The receipt of cash has been recognised within net cash used in investing activities within the consolidated cash flow statement.

Major transformation programme

Following the announcement of our new strategic priorities in May 2024, the Group entered into a new four-year transformation programme designed to implement our refreshed strategy to be a pre-eminent pureplay networks business. In the period, the Group incurred £74 million of costs in relation to the programme. The costs recognised primarily relate to technology implementation costs, employee costs and professional fees incurred in delivering the programme. While the costs incurred since the commencement of the programme do not meet the quantitative threshold to be classified as exceptional on a standalone basis, when taken in aggregate with the costs expected to be incurred over the duration of the programme, we have concluded that the costs should be classified as exceptional in line with our exceptional items policy. Estimated costs expected to be incurred in future years are disclosed in the Financial review on page 86. The total cash outflow for the period was £62 million.

Changes in environmental provisions

In the US, we recognise environmental provisions related to the remediation of the Gowanus Canal, Newtown Creek and the former manufacturing gas plant facilities previously owned or operated by the Group or its predecessor companies. The sites are subject to both state and federal environmental remediation laws in the US. Potential liability for the historical contamination may be imposed on responsible parties jointly and severally, without regard to fault, even if the activities were lawful when they occurred. The provisions and the Group's share of estimated costs are re-evaluated at each reporting period. During the period, following discussions with the New York State Department of Environmental Conservation and the Environmental Protection Agency on the scope and design of remediation activities related to certain of our responsible sites, we have re-evaluated our estimates of total costs and recognised a net decrease of £64 million in relation to our provisions. Under the terms of our rate plans, we are entitled to recovery of environmental clean-up costs from rate payers in future reporting periods. Such recoveries through overall allowed revenues are not classified as exceptional in the future periods that they occur due to the extended duration over which such costs are recovered and the immateriality of the recoveries in any given year.

The real discount rate applied to the Group's environmental provisions was also revised in the year to 2.0% (2024: 1.5%) to reflect the substantial and sustained change in US Government bond yield curves (see note 26). The principal impact of this rate increase was a £82 million decrease in our US environmental provisions. The weighted average remaining duration of our cash flows is now around 10 years.

Transaction, separation and integration costs

In May 2024, we announced the sale of NG Renewables and Grain LNG as part of our strategic focus on becoming a leading pureplay networks business. Transaction and separation costs of £26 million were incurred in relation to the planned disposal of NG Renewables and £8 million in relation to the planned disposal of Grain LNG. The costs incurred primarily related to professional fees and employee costs. In remeasuring the NG Renewables disposal group to fair value less costs to sell in accordance with IFRS 5, the Group has also recognised a £31 million impairment loss (see note 10). These costs have been classified as exceptional in accordance with our exceptional items policy. While the costs incurred in the current year in isolation are not sufficiently material to warrant classification as an exceptional item, when taken in aggregate with the respective disposals which are anticipated in the year ended 31 March 2026, the impact to the consolidated income statement incurred over both years will be sufficiently material to be classified as exceptional in line with our policy. The total cash outflow for the year was £6 million.

Impairment of joint venture

In the year, we agreed with our joint venture partner, RWE Renewables, that our investment in Community Offshore Wind, LLC will pause project development for the time being. The Group has determined that the investment currently has negligible value and an impairment of £303 million has been recognised (see note 16).

5. Exceptional items and remeasurements continued

Exceptional items continued

2024

Provision for UK electricity balancing costs

As described above, during the prior year the ESO's operating profit increased due to a substantial over-recovery of allowed revenues received under its regulatory framework. The Group recognised a liability for the over-recovered revenues which were forecasted to transfer through the sales process.

Changes in environmental provisions

In the prior year, following discussions with the New York State Department of Environmental Conservation and the Environmental Protection Agency on the scope and design of remediation activities related to certain of our responsible sites, we re-evaluated our estimates of total costs and increased our US environmental provision by £496 million (see note 26). Under the terms of our rate plans, we are entitled to recovery of environmental clean-up costs from rate payers in future reporting periods.

Transaction, separation and integration costs

Separation costs of £11 million were incurred in relation to the disposal of NECO, £6 million in relation to the disposal of the UK Gas Transmission business and £27 million in connection with the integration of NGED. The costs incurred primarily related to professional fees, relocation costs and employee costs. The costs were classified as exceptional in accordance with our exceptional items policy. While the transaction, separation and integration costs incurred during the prior year did not meet the quantitative threshold to be classified as exceptional on a standalone basis, when taken in aggregate with the £340 million of costs in previous periods, the costs qualified for exceptional treatment in line with our exceptional items policy. The total cash outflow for the period was £33 million. The Group is entitled to cost recovery in relation to the separation of the ESO. Accordingly, these costs were not classified as exceptional.

Cost efficiency programme

During the prior year, the Group incurred £65 million of costs in relation to the major cost efficiency programme announced in November 2021, that targeted at least £400 million savings per annum across the Group by the end of three years. The costs recognised in the period primarily related to redundancy provisions, employee costs and professional fees incurred in delivering the programme. While the costs incurred during the year did not meet the quantitative threshold to be classified as exceptional on a standalone basis, when taken in aggregate with the £142 million of costs incurred since the announcement of the programme, the costs qualified for exceptional treatment in line with our exceptional items policy. The total cash outflow for the year was £53 million. The cost efficiency programme completed in the prior year.

Fire at IFA converter station

In September 2021, a fire at the IFA1 converter station in Sellindge, Kent caused significant damage to infrastructure on site. In the period, the Group recognised net insurance claims of £92 million, which were recognised as exceptional in line with our exceptional items policy and consistent with related claims in the prior year. The total cash inflow in the period in relation to the insurance proceeds was £92 million.

2023

Transaction, separation and integration costs

Separation costs of £39 million were incurred in relation to the disposal of NECO, £38 million in relation to the disposal of a majority stake in our UK Gas Transmission business and £40 million in connection with the integration of NGED. The costs incurred primarily relate to legal fees, bankers' fees, professional fees and employee costs. The total cash outflow for the period was £84 million.

Cost efficiency programme

The Group incurred £100 million of costs in relation to the major cost efficiency programme announced in November 2021. The costs recognised primarily related to property costs, employee costs and professional fees incurred in delivering the programme. The total cash outflow for the period was £85 million.

Fire at IFA converter station

In September 2021, a fire at the IFA1 converter station in Sellindge, Kent caused significant damage to infrastructure on site. In the year, the Group recognised £130 million of insurance claims (net of asset write-offs), which have been recognised as exceptional in line with our exceptional items policy. The total cash inflow for the period was £79 million.

Changes in environmental provisions

The real discount rate applied to the Group's environmental provisions was revised to 1.5% (2022: 0.5%) to reflect the substantial and sustained change in US Government bond yield curves (see note 26). The principal impact of this rate increase was a £165 million decrease in our US environmental provisions and a £11 million decrease in our UK environmental provision. The weighted average remaining duration of our cash flows was around 10.5 years.

Notes to the consolidated financial statements continued

5. Exceptional items and remeasurements continued

Exceptional items continued

Net gain on disposal of NECO

On 25 May 2022, the Group completed the sale of a wholly owned subsidiary, NECO, to PPL Rhode Island Holdings, LLC for cash consideration of £3.1 billion. As a result, the Group derecognised net assets of £2.7 billion, resulting in a pre-tax gain of £511 million. The receipt of cash was recognised within net cash used in investing activities within the consolidated cash flow statement.

Net gain on disposal of Millennium Pipeline Company LLC

The Group recognised a gain of £335 million on the disposal of its entire 26.25% equity interest in the Millennium Pipeline Company LLC associate to DT Midstream for cash consideration of £497 million. The receipt of cash was recognised within net cash used in investing activities within the consolidated cash flow statement.

Remeasurements

Remeasurements comprise unrealised gains or losses recorded in the consolidated income statement arising from changes in the fair value of certain of our financial assets and liabilities accounted for at fair value through profit and loss (FVTPL). Once the fair value movements are realised (for example, when the derivative matures), the previously recognised fair value movements are then reversed through remeasurements and recognised within earnings before exceptional items and remeasurements. These assets and liabilities include commodity contract derivatives and financing derivatives to the extent that hedge accounting is not available or is not fully effective.

The unrealised gains or losses reported in profit and loss on certain additional assets and liabilities treated at FVTPL are also classified within remeasurements. These relate to financial assets (which fail the 'solely payments of principal and interest test' under IFRS 9), the money market fund investments used by Group Treasury for cash management purposes and the net foreign exchange gains and losses on borrowing activities. These are offset by foreign exchange gains and losses on financing derivatives measured at fair value. In all cases, these fair values increase or decrease because of changes in foreign exchange, commodity or other financial indices over which we have no control.

We report unrealised gains or losses relating to certain discrete classes of financial assets accounted for at FVTPL within adjusted profit. These comprise our portfolio of investments made by National Grid Partners and our investment in Sunrun Neptune 2016 LLC (both within NGV). The performance of these assets (including changes in fair value) is included in our assessment of adjusted profit for the relevant business units.

Remeasurements excluded from adjusted profit are made up of the following categories:

i. Net gains/(losses) on commodity contract derivatives represent mark-to-market movements on certain physical and financial commodity contract obligations in the US and UK. These contracts primarily relate to the forward purchase of energy for supply to customers, or to the economic hedging thereof, that are required to be measured at fair value and that do not qualify for hedge accounting. Under the existing rate plans in the US, commodity costs are recoverable from customers although the timing of recovery may differ from the pattern of costs incurred;

ii. Net gains/(losses) on financing derivatives comprise gains and losses arising on derivative financial instruments, net of interest accrued, used for the risk management of interest rate and foreign exchange exposures and the offsetting foreign exchange losses and gains on the associated borrowing activities. These exclude gains and losses for which hedge accounting has been effective and have been recognised directly in the consolidated statement of other comprehensive income or are offset by adjustments to the carrying value of debt (see notes 17 and 32). Net foreign exchange gains and losses on financing derivatives used for the risk management of foreign exchange exposures are offset by foreign exchange losses and gains on borrowing activities;

iii. Net gains/(losses) on financial assets measured at FVTPL comprise gains and losses on the investment funds held by our insurance captives which are categorised as FVTPL (see note 15); and

iv. Unrealised net gains/(losses) on derivatives and other financial instruments within our joint ventures and associates.

6. Finance income and costs

This note details the interest income generated by our financial assets and interest expense incurred on our financial liabilities, primarily our financing portfolio (including our financing derivatives). It also includes the net interest on our pensions and other post-retirement assets. In reporting adjusted profit, we adjust net financing costs to exclude any net gains or losses on financial instruments included in remeasurements (see note 5).

Finance income and costs remeasurements include unrealised gains and losses on certain assets and liabilities treated at FVTPL. The effective interest income and interest expense and dividends on these items are included in finance income and finance costs before remeasurements respectively.

	Notes	2025 £m	2024 £m	2023 £m
Finance income (excluding remeasurements)				
Net interest income on pensions and other post-retirement benefit obligations	25	**98**	100	85
Interest income on financial instruments:				
Bank deposits and other financial assets		**341**	139	80
Dividends received on equities held at fair value through other comprehensive income (FVOCI)		**1**	1	1
Other income		**9**	4	—
		449	244	166
Finance costs (excluding remeasurements)				
Interest expense on financial liabilities held at amortised cost:				
Bank loans and overdrafts		**(110)**	(140)	(328)
Other borrowings[1]		**(1,553)**	(1,424)	(1,330)
Interest on derivatives		**(285)**	(277)	(170)
Unwinding of discount on provisions and other payables		**(130)**	(102)	(88)
Other interest		**(26)**	(31)	(13)
Less: interest capitalised[2]		**294**	251	249
		(1,810)	(1,723)	(1,680)
Remeasurements – Finance income				
Net gains/(losses) on FVTPL financial assets		**1**	4	(28)
		1	4	(28)
Remeasurements – Finance costs				
Net gains on financing derivatives[3]				
Derivatives designated as hedges for hedge accounting		**4**	13	22
Derivatives not designated as hedges for hedge accounting		**(1)**	(2)	60
		3	11	82
Total remeasurements – Finance income and costs		**4**	15	54
Finance income		**450**	248	138
Finance costs[4]		**(1,807)**	(1,712)	(1,598)
Net finance costs from continuing operations		**(1,357)**	(1,464)	(1,460)

1. Includes interest expense on lease liabilities (see note 13 for details).
2. Interest on funding attributable to assets in the course of construction in the current year was capitalised at a rate of 4.3% (2024: 4.7%; 2023: 4.7%). In the UK, capitalised interest qualifies for a current year tax deduction with tax relief claimed of £39 million (2024: £39 million; 2023: £30 million). In the US, capitalised interest is added to the cost of property, plant and equipment, and qualifies for tax depreciation allowances.
3. Includes a net foreign exchange gain on borrowing and investment activities of £241 million (2024: £271 million gain; 2023: £86 million loss) offset by foreign exchange gains and losses on financing derivatives measured at fair value and the impacts of hedge accounting.
4. Finance costs include principal accretion on inflation-linked liabilities of £152 million (2024: £208 million; 2023: £483 million).

Notes to the consolidated financial statements continued

7. Tax

Tax is payable in the territories where we operate, mainly the UK and the US. This note gives further details of the total tax charge and tax liabilities, including current and deferred tax. Current tax charge is the tax payable on this year's taxable profits. Deferred tax is an accounting adjustment to provide for tax that is expected to arise in the future due to differences in the accounting and tax bases.

The tax charge for the period is recognised in the income statement, the statement of comprehensive income or directly in the statement of changes in equity, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax.

Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted by the reporting date.

The Group operates internationally in territories with different and complex tax codes. Management exercises judgement in relation to the level of provision required for uncertain tax outcomes. Where there are tax positions not yet agreed with the tax authorities, different interpretations of legislation could lead to a range of outcomes. Judgements are made for each position having regard to particular circumstances and advice obtained.

Deferred tax is provided for, using the balance sheet liability method and is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases.

Deferred tax liabilities are generally recognised on all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction (other than a business combination) that affects neither the accounting nor the taxable profit or loss.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and joint arrangements except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority, and the Company and its subsidiaries intend to settle their current tax assets and liabilities on a net basis.

Tax charged to the consolidated income statement – continuing operations

	2025 £m	2024 £m	2023 £m
Tax before exceptional items and remeasurements	**861**	983	635
Total tax reported within exceptional items and remeasurements	**(40)**	(152)	241
Total tax charge from continuing operations	**821**	831	876

Tax as a percentage of profit before tax – continuing operations

	2025 %	2024 %	2023 %
Before exceptional items and remeasurements – continuing operations	**24.7**	24.1	21.4
After exceptional items and remeasurements – continuing operations	**22.5**	27.3	24.4

7. Tax continued

The tax charge for the year can be analysed as follows:

	2025 £m	2024 £m	2023 £m
Current tax:			
UK corporation tax at 25% (2024: 25%; 2023: 19%)	**66**	410	161
UK corporation tax adjustment in respect of prior years	**(36)**	(36)	—
	30	374	161
Overseas corporation tax	**47**	82	225
Overseas corporation tax adjustment in respect of prior years	**(39)**	(90)	(16)
	8	(8)	209
Total current tax from continuing operations	**38**	366	370
Deferred tax:			
UK deferred tax	**524**	388	255
UK deferred tax adjustment in respect of prior years	**25**	43	13
	549	431	268
Overseas deferred tax	**195**	(40)	233
Overseas deferred tax adjustment in respect of prior years	**39**	74	5
	234	34	238
Total deferred tax from continuing operations	**783**	465	506
Total tax charge from continuing operations	**821**	831	876

Tax charged/(credited) to the consolidated statement of comprehensive income and equity

	2025 £m	2024 £m	2023 £m
Current tax:			
Share-based payments	**(1)**	(2)	(1)
Deferred tax:			
Investments at fair value through other comprehensive income	**—**	1	(1)
Cash flow hedges, cost of hedging and own credit reserve	**36**	56	(7)
Remeasurements of pension assets and post-retirement benefit obligations	**(23)**	(50)	(344)
Share-based payments	**2**	—	1
	14	5	(352)
Total tax recognised in the statements of comprehensive income from continuing operations	**13**	7	(352)
Total tax relating to share-based payments recognised directly in equity from continuing operations	**1**	(2)	—
	14	5	(352)

Notes to the consolidated financial statements continued

7. Tax continued

The tax charge for the year, after exceptional items and remeasurements for continuing operations, is lower (2024: higher tax charge; 2023: higher tax charge) than the standard rate of corporation tax in the UK of 25% (2024: 25%; 2023: 19%):

	Before exceptional items and remeasurements 2025 £m	After exceptional items and remeasurements 2025 £m	Before exceptional items and remeasurements 2024 £m	After exceptional items and remeasurements 2024 £m	Before exceptional items and remeasurements 2023 £m	After exceptional items and remeasurements 2023 £m
Profit before tax from continuing operations						
Before exceptional items and remeasurements	**3,479**	**3,479**	4,084	4,084	2,970	2,970
Exceptional items and remeasurements	**—**	**171**	—	(1,036)	—	620
Profit before tax from continuing operations	**3,479**	**3,650**	4,084	3,048	2,970	3,590
Profit before tax from continuing operations multiplied by UK corporation tax rate of 25% (2024: 25%; 2023: 19%)	**870**	**913**	1,021	762	564	682
Effect of:						
Adjustments in respect of prior years[1]	**(11)**	**(11)**	(9)	(9)	2	2
Expenses not deductible for tax purposes	**32**	**40**	28	155	28	92
Non-taxable income[2]	**(18)**	**(107)**	(18)	(43)	(47)	(75)
Adjustment in respect of foreign tax rates[3]	**5**	**4**	(10)	(20)	73	147
Deferred tax impact of change in UK tax rate	**—**	**—**	—	—	62	66
Adjustment in respect of post-tax profits of joint ventures and associates included within profit before tax	**(19)**	**(18)**	(25)	(9)	(36)	(27)
Other[4]	**2**	**—**	(4)	(5)	(11)	(11)
Total tax charge from continuing operations	**861**	**821**	983	831	635	876

	%	%	%	%	%	%
Effective tax rate – continuing operations	**24.7**	**22.5**	24.1	27.3	21.4	24.4

1. The prior year adjustments are primarily due to agreement of prior period tax returns.
2. Includes tax on chargeable disposals after the offset of capital losses. The gain on disposal of the ESO during the year is subject to the Substantial Shareholding Exemption.
3. Included in 2023 are remeasurements of US closing state deferred tax balances as a result of an expected increase in the blended state tax rate following the disposal of NECO.
4. Other primarily comprises the movement in the deferred tax asset on previously unrecognised capital losses, claims for land remediation relief and claims for Research & Development credit.

The mandatory exception to recognising and disclosing information about the deferred tax assets and liabilities related to Pillar Two income taxes has been applied as required by IAS 12. The Pillar Two global minimum corporation tax rate of 15% introduced by the Organisation for Economic Co-operation and Development (OECD) was enacted into UK law on 11 July 2023 and was applicable to National Grid from 1 April 2024. Exposure to additional taxation under Pillar Two is immaterial to the Group.

Factors that may affect future tax charges

The main UK corporation tax rate is 25% and deferred tax balances as at 31 March 2025 have been calculated at 25%.

In light of the US Government's desire to extend certain provisions of the 2017 Tax Cuts and Jobs Act (TCJA) expiring at the end of 2025, the US Congress and the US Administration are considering changes to federal tax legislation that could impact National Grid. However, since no changes have been substantively enacted at the balance sheet date, the income tax balances as at 31 March 2025 have been calculated at the prevailing tax rates based on the current tax laws.

7. Tax continued

Tax included within the statement of financial position

The following are the major deferred tax assets and liabilities recognised, and the movements thereon, during the current and prior reporting periods:

	Regulatory licences £m	Accelerated tax depreciation £m	Share-based payments £m	Pensions and other post-retirement benefits £m	Financial instruments £m	Other net temporary differences[1] £m	Total £m
Deferred tax liabilities/(assets)							
At 1 April 2023	429	8,242	(21)	490	(370)	(1,589)	7,181
Exchange adjustments and other[2]	—	(132)	—	(1)	—	23	(110)
Charged/(credited) to income statement	—	720	(5)	26	38	(312)	467
(Credited)/charged to other comprehensive income and equity	—	—	—	(50)	57	—	7
Disposals	—	(2)	—	—	—	—	(2)
Reclassification to held for sale (note 10)	—	(12)	1	(4)	—	(9)	(24)
At 1 April 2024	429	8,816	(25)	461	(275)	(1,887)	7,519
Exchange adjustments and other[2]	—	(147)	—	(5)	—	57	(95)
Charged/(credited) to income statement	—	925	(3)	58	62	(256)	786
(Credited)/charged to other comprehensive income and equity	—	—	2	(23)	38	—	17
Disposals	—	(60)	—	—	—	(5)	(65)
Reclassification to held for sale (note 10)	—	(122)	—	—	—	(2)	(124)
At 31 March 2025	**429**	**9,412**	**(26)**	**491**	**(175)**	**(2,093)**	**8,038**

1. The deferred tax asset of £2,093 million as at 31 March 2025 (2024: £1,887 million) in respect of other net temporary differences relates to losses of £298 million (2024: £184 million), US contract and lease liabilities of £603 million (2024: £575 million), US environmental provisions of £575 million (2024: £646 million), US bad debt provision of £155 million (2024: £150 million) and other short-term temporary differences of £462 million (2024: £332 million).
2. Exchange adjustments and other primarily comprises foreign exchange arising on translation of the US dollar deferred tax balances.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. The deferred tax balances (after offset) for statement of financial position purposes consist solely of deferred tax liabilities of £8,038 million (2024: £7,519 million).

Deferred tax assets in respect of some capital losses as well as trading losses and non-trade deficits have not been recognised as their future recovery is uncertain or not currently anticipated. The total deferred tax assets not recognised are as follows:

	2025 £m	2024 £m
Capital losses	**2,484**	2,483
Trading losses	**9**	4

The capital losses arose in the UK on disposal of certain businesses or assets. They are available to carry forward indefinitely but can only be offset against future capital gains.

At 31 March 2025 and 31 March 2024, there were no recognised deferred tax liabilities for taxes that would be payable on the unremitted earnings of the Group's subsidiaries or its associates as there are no significant corporation tax consequences of the Group's UK, US or overseas subsidiaries or associates paying dividends to their parent companies. There are also no significant income tax consequences for the Group from the payment of dividends by the Group to its shareholders.

Notes to the consolidated financial statements continued

8. Earnings per share (EPS)

EPS is the amount of profit after tax attributable to each ordinary share. Basic EPS is calculated as profit after tax for the year attributable to equity shareholders divided by the weighted average number of shares in issue during the year. Diluted EPS shows what the impact would be if all outstanding share options were exercised and treated as ordinary shares at year end. The weighted average number of shares is increased by additional shares issued as scrip dividends and reduced by shares repurchased by the Company during the year. The earnings per share calculations are based on profit after tax attributable to equity shareholders of the Company which excludes non-controlling interests.

Adjusted earnings and EPS, which exclude exceptional items and remeasurements, are provided to reflect the adjusted profit subtotals used by the Company. We have included reconciliations from this additional EPS measure to earnings for both basic and diluted EPS to provide additional detail for these items. For further details of exceptional items and remeasurements, see note 5.

(a) Basic EPS

	Earnings 2025 £m	EPS 2025 pence	Earnings 2024 £m	EPS 2024[1] pence	Earnings 2023 £m	EPS 2023[1] pence
Adjusted earnings from continuing operations	2,615	55.6	3,100	77.7	2,335	59.0
Exceptional items and remeasurements after tax from continuing operations (see note 5)	211	4.4	(884)	(22.2)	379	9.6
Earnings from continuing operations	2,826	60.0	2,216	55.5	2,714	68.6
Adjusted earnings from discontinued operations (see note 10)	4	–	13	0.3	320	8.1
Exceptional items and remeasurements after tax from discontinued operations	72	1.6	61	1.6	4,763	120.4
Earnings from discontinued operations	76	1.6	74	1.9	5,083	128.5
Total adjusted earnings	2,619	55.6	3,113	78.0	2,655	67.1
Total exceptional items and remeasurements after tax (including discontinued operations)	283	6.0	(823)	(20.6)	5,142	130.0
Total earnings	2,902	61.6	2,290	57.4	7,797	197.1

	2025 millions	2024[1] millions	2023[1] millions
Weighted average number of ordinary shares – basic	4,707	3,991	3,956

1. Comparative amounts have been restated to reflect the impact of the bonus element of the Rights Issue (see note 27).

(b) Diluted EPS

	Earnings 2025 £m	EPS 2025 pence	Earnings 2024 £m	EPS 2024[1] pence	Earnings 2023 £m	EPS 2023[1] pence
Adjusted earnings from continuing operations	2,615	55.4	3,100	77.3	2,335	58.8
Exceptional items and remeasurements after tax from continuing operations (see note 5)	211	4.4	(884)	(22.0)	379	9.5
Earnings from continuing operations	2,826	59.8	2,216	55.3	2,714	68.3
Adjusted earnings from discontinued operations	4	–	13	0.3	320	8.1
Exceptional items and remeasurements after tax from discontinued operations (see note 10)	72	1.6	61	1.5	4,763	119.8
Earnings from discontinued operations	76	1.6	74	1.8	5,083	127.9
Total adjusted earnings	2,619	55.4	3,113	77.6	2,655	66.9
Total exceptional items and remeasurements after tax (including discontinued operations)	283	6.0	(823)	(20.5)	5,142	129.3
Total earnings	2,902	61.4	2,290	57.1	7,797	196.2

	2025 millions	2024[1] millions	2023[1] millions
Weighted average number of ordinary shares – diluted	4,729	4,008	3,973

1. Comparative amounts have been restated to reflect the impact of the bonus element of the Rights Issue (see note 27).

(c) Reconciliation of basic to diluted average number of shares

	2025 millions	2024[1] millions	2023[1] millions
Weighted average number of ordinary shares – basic	4,707	3,991	3,956
Effect of dilutive potential ordinary shares – employee share plans	22	17	17
Weighted average number of ordinary shares – diluted	4,729	4,008	3,973

1. Comparative amounts have been restated to reflect the impact of the bonus element of the Rights Issue (see note 27).

9. Dividends

Interim dividends are recognised when they become payable to the Company's shareholders. Final dividends are recognised when they are approved by shareholders.

	2025			2024			2023		
	Pence per share	**Cash dividend £m**	**Scrip dividend £m**	Pence per share	Cash dividend £m	Scrip dividend £m	Pence per share	Cash dividend £m	Scrip dividend £m
Final dividend in respect of the prior year	**39.12**	**811**	**643**	37.60	1,325	56	33.76	1,119	114
Interim dividend in respect of the current year	**15.84**	**718**	**59**	19.40	393	320	17.84	488	163
	54.96	**1,529**	**702**	57.00	1,718	376	51.60	1,607	277

For comparability purposes the table below presents dividends per share adjusted for a factor of 1.0811 to reflect the bonus element of the Rights Issue:

	2025			2024			2023		
	Pence per share (actual)	**Impact of Rights Issue**	**Pence per share (adjusted)**	Pence per share (actual)	Impact of Rights Issue	Pence per share (adjusted)	Pence per share (actual)	Impact of Rights Issue	Pence per share (adjusted)
Final dividend in respect of the prior year	**39.12**	**(2.93)**	**36.19**	37.60	(2.82)	34.78	33.76	(2.53)	31.23
Interim dividend in respect of the current year	**15.84**	**—**	**15.84**	19.40	(1.46)	17.94	17.84	(1.34)	16.50
	54.96	**(2.93)**	**52.03**	57.00	(4.28)	52.72	51.60	(3.87)	47.73

The Directors are proposing a final dividend for the year ended 31 March 2025 of 30.88p per share that would absorb approximately £1,512 million of shareholders' equity (assuming all amounts are settled in cash). It will be paid on 17 July 2025 to shareholders who are on the register of members at 30 May 2025 (subject to shareholders' approval at the AGM). A scrip dividend will be offered as an alternative.

Notes to the consolidated financial statements continued

10. Assets held for sale and discontinued operations

The results and cash flows of significant assets or businesses sold during the year are shown separately from our continuing operations and presented within discontinued operations in the income statement and cash flow statement. Assets and businesses are classified as held for sale when their carrying amounts are expected to be recovered through sale rather than through continuing use. They only meet the held for sale condition when the assets are ready for immediate sale in their present condition, management is committed to the sale and it is highly probable that the sale will complete within one year. Depreciation ceases on assets and businesses when they are classified as held for sale and the assets and businesses are impaired if the proceeds less sale costs fall short of the carrying value.

The following assets and liabilities were classified as held for sale:

	2025			2024		
	Total assets held for sale £m	**Total liabilities held for sale £m**	**Net assets/ (liabilities) held for sale £m**	Total assets held for sale £m	Total liabilities held for sale £m	Net assets/ (liabilities) held for sale £m
UK Electricity System Operator	—	—	—	1,134	(1,427)	(293)
National Grid Renewables	**1,528**	**(108)**	**1,420**	—	—	—
Grain LNG	**1,100**	**(326)**	**774**	—	—	—
Investment in GasT TopCo Limited	—	—	—	689	—	689
RAA	—	—	—	—	(47)	(47)
Net assets/(liabilities) held for sale	**2,628**	**(434)**	**2,194**	1,823	(1,474)	349

Gain on disposal of the ESO

In October 2023, legislation required to enable the separation of the ESO and the formation of the NESO, which will undertake responsibilities across both the electricity and gas systems, was passed through Parliament. The assets and liabilities of the ESO were consequently presented as held for sale in the consolidated financial statements in the year ended 31 March 2024. The disposal subsequently completed on 1 October 2024 for consideration of £673 million.

Based on the scale and pass-through nature of the ESO, it is not considered a separate major line of business or geographic operation under IFRS 5 for treatment as a discontinued operation, and its disposal is not part of a single coordinated plan being undertaken by the Group. Accordingly, the results have not been separately disclosed on the face of the income statement, and are instead included within the results from continuing operations. Financial information relating to the gain arising on disposal of the ESO is set out below:

	£m
Intangible assets	**485**
Property, plant and equipment	**121**
Trade and other receivables	**375**
Pension asset	**16**
Cash and cash equivalents	**51**
Financial investments	**501**
Total assets on disposal	**1,549**
Borrowings	**(13)**
Other liabilities	**(703)**
Provision for UK electricity balancing costs (note 5)	**(347)**
Total liabilities on disposal	**(1,063)**
Net assets on disposal	**486**
Total consideration received[1]	**673**
Gain on sale	**187**

1. Included within total consideration is deferred proceeds of £45 million which were settled after 31 March 2025.

Up until its disposal, the ESO generated profit after tax of £103 million for the year ended 31 March 2025 (2024: £178 million profit; 2023: £182 million profit).

10. Assets held for sale and discontinued operations continued

NG Renewables and Grain LNG

On 24 February 2025, the Group agreed to sell NG Renewables, its US onshore renewables business, to Brookfield Asset Management. Completion of the transaction will be subject to certain consents and regulatory approvals and is expected to complete in the first half of the year ending 31 March 2026. The Group has also previously announced its intention to sell Grain LNG, its UK LNG asset. As both sales are considered to be highly probable and expected to complete within a year, the associated assets and liabilities have been presented as held for sale in the consolidated statement of financial position at 31 March 2025. However, as NG Renewables and Grain LNG do not represent separate major lines of business or geographical operations, they have not met the criteria for classification as discontinued operations and therefore their results for the period are not separately disclosed on the face of the income statement.

The following assets and liabilities were classified as held for sale at 31 March 2025.

	National Grid Renewables £m	Grain LNG £m
Goodwill	53	—
Other intangible assets	—	25
Property, plant and equipment	340	898
Investments in joint ventures and associates	873	—
Trade and other receivables	51	31
Cash and cash equivalents	30	123
Financial investments	40	—
Other assets	141	23
Total assets	1,528	1,100
Borrowings	(2)	(132)
Other liabilities	(106)	(194)
Total liabilities	(108)	(326)
Net assets	1,420	774

The Group has recognised a £31 million impairment loss on remeasuring the NG Renewables disposal group to fair value less costs to sell, with the loss allocated to goodwill. No impairment losses were recognised following reclassification of the Grain LNG assets and liabilities classified to held for sale. The aggregate profit after tax for NG Renewables and Grain LNG for the period ended 31 March 2025 was £60 million (2024: £49 million; 2023: £108 million).

The UK Gas Transmission business

On 31 January 2023, the Group disposed of 100% of the UK Gas Transmission business for cash consideration of £4.0 billion and a 40% interest in a newly incorporated UK limited company, GasT TopCo Limited. The other 60% was purchased by Macquarie Infrastructure and Real Assets (MIRA) and British Columbia Investment Management Corporation (BCI) (together, the 'Consortium'). The Group also entered into a Further Acquisition Agreement (the FAA option) with the Consortium over its remaining 40% interest. Both the investment in GasT TopCo Limited and the FAA option were immediately classified as held for sale and so the Group has not applied equity accounting in relation to its investment in GasT TopCo Limited.

The FAA was partially exercised by the Consortium on 11 March 2024 and the Group disposed of 20% of the 40% interest in GasT TopCo Limited, as detailed in the Annual Report and Accounts for the year ended 31 March 2024. As part of the transaction, the Group also entered into a new agreement with the Consortium, the Remaining Acquisition Agreement (the 'RAA'), to replace the FAA option for the potential sale of all or part of the remaining 20% equity interest in GasT TopCo Limited.

On 26 July 2024, the Consortium exercised its option under the RAA and the disposal of the Group's remaining interest in GasT TopCo Limited completed on 26 September 2024. The total sales proceeds were £686 million and the gain on disposal, after transaction costs, was £25 million.

The disposal of the Group's remaining interest in GasT TopCo Limited was the final stage of the plan to dispose of the UK Transmission business first announced in 2021. As a result, the gain on disposal and any remeasurements pertaining to the financial derivatives noted above are shown separately from the continuing business for all periods presented on the face of the income statement as a discontinued operation. This is also reflected in the statement of comprehensive income, as well as earnings per share (EPS) being shown split between continuing and discontinued operations.

Notes to the consolidated financial statements continued

10. Assets held for sale and discontinued operations continued

The summary income statements for the years ended 31 March 2025, 2024 and 2023 are as follows:

	Before exceptional items and remeasurements			Exceptional items and remeasurements			Total		
	2025 £m	2024 £m	2023 £m	2025 £m	2024 £m	2023 £m	2025 £m	2024 £m	2023 £m
Discontinued operations									
Revenue	—	—	1,604	—	—	—	—	—	1,604
Other operating costs	—	—	(890)	—	—	1	—	—	(889)
Operating profit	—	—	714	—	—	1	—	—	715
Finance income	5	17	15	—	—	6	5	17	21
Finance costs[1]	—	—	(310)	47	62	(53)	47	62	(363)
Profit before tax	5	17	419	47	62	(46)	52	79	373
Tax	(1)	(4)	(99)	—	3	6	(1)	(1)	(93)
Profit after tax from discontinued operations	4	13	320	47	65	(40)	51	78	280
Gain/(loss) on disposal	—	—	—	25	(4)	4,803	25	(4)	4,803
Total profit after tax from discontinued operations	4	13	320	72	61	4,763	76	74	5,083

1. Exceptional finance costs include the remeasurement of the FAA option and the RAA.

The summary statements of comprehensive income for the years ended 31 March 2025, 2024 and 2023 are as follows:

	2025 £m	2024 £m	2023 £m
Profit after tax from discontinued operations	76	74	5,083
Other comprehensive (loss)/income from discontinued operations			
Items from discontinued operations that will never be reclassified to profit or loss:			
Remeasurement losses on pension assets and post-retirement benefit obligations	—	—	(313)
Tax on items that will never be reclassified to profit or loss	—	—	78
Total losses from discontinued operations that will never be reclassified to profit or loss	—	—	(235)
Items from discontinued operations that may be reclassified subsequently to profit or loss:			
Net gains in respect of cash flow hedges	—	—	6
Net gains in respect of cost of hedging	—	—	4
Net (losses)/gains on investments in debt instruments measured at fair value through other comprehensive income	(13)	13	—
Tax on items that may be reclassified subsequently to profit or loss	3	(3)	(2)
Total (losses)/gains from discontinued operations that may be reclassified subsequently to profit or loss	(10)	10	8
Other comprehensive (loss)/income for the year, net of tax from discontinued operations	(10)	10	(227)
Total comprehensive income for the year from discontinued operations	66	84	4,856

Details of the cash flows relating to discontinued operations are set out within the consolidated cash flow statement.

11. Goodwill

Goodwill represents the excess of what we paid to acquire businesses over the fair value of their net assets at the acquisition date. We assess whether goodwill is recoverable by performing an impairment review annually or more frequently if events or changes in circumstances indicate a potential impairment.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate. Goodwill is allocated to CGUs and this allocation is made to those CGUs that are expected to benefit from the acquisition in which the goodwill arose.

Impairment is recognised where there is a difference between the carrying value of the CGU and the estimated recoverable amount of the CGU to which that goodwill has been allocated. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Any impairment loss is first allocated to the carrying value of the goodwill and then to the other assets within the CGU. Recoverable amount is defined as the higher of fair value less costs to sell and estimated value-in-use at the date the impairment review is undertaken. Value-in-use represents the present value of expected future cash flows, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

	Total £m
Net book value at 1 April 2023	9,847
Exchange adjustments	(118)
Net book value at 1 April 2024	9,729
Exchange adjustments	(117)
Reclassification to held for sale (note 10)	(80)
Net book value at 31 March 2025	**9,532**

Following the announcement of the planned sale of NG Renewables (see note 10), goodwill was reclassified as held for sale in the year.

There was no significant accumulated impairment charge as at 31 March 2025 or 31 March 2024.

Impairment review of goodwill and indefinite-lived intangibles

Goodwill and indefinite-lived intangibles (see note 12) are reviewed annually for impairment and the recoverability is assessed by comparing the carrying amount of our operations with the expected recoverable amount on a value-in-use basis which uses pre-financing and pre-tax cash flow projections based on the Group's financial plans, approved by the Directors. See below for a summary of which operations our goodwill and indefinite-lived intangibles are allocated to.

CGU or group of CGUs	2025 £m	2024 £m
Goodwill:		
National Grid Ventures – US	**100**	188
New England	**1,506**	1,541
New York	**3,205**	3,279
UK Electricity Distribution[1]	**4,721**	4,721
Total goodwill	**9,532**	9,729
Indefinite-lived intangibles (regulatory licences related to UK Electricity Distribution):		
West Midlands	**518**	518
East Midlands	**519**	519
South Wales	**257**	257
South West	**420**	420
Total indefinite-lived intangibles	**1,714**	1,714

1. This is a combination of the West Midlands, East Midlands, South Wales and South West CGUs, reflecting the level at which the goodwill is monitored.

In each assessment, the value-in-use has been calculated assuming a stable regulatory framework and is based on projections that incorporate our best estimates of future cash flows, including costs, changes in commodity prices, future rates and growth. Such projections reflect our current regulatory agreements and allow for future agreements and recovery of investment, including those related to achieving the net zero plans of the jurisdictions that we operate in. Our plans have proved to be reliable guides in the past and the Directors believe the estimates are appropriate.

Notes to the consolidated financial statements continued

11. Goodwill continued

(a) Cash flow periods, terminal value and discount rate assumptions

We select cash flow durations longer than five years, when our forecasts are considered reliable. The cash flow durations selected reflect our knowledge and understanding of the regulatory environments in which we operate, and most significantly, where markets have legislated decarbonisation commitments by 2050, we may utilise longer cash flow forecasts that reflect the investment required to deliver those commitments before applying a terminal value at the point those commitments are due to be fulfilled and market growth is expected to stabilise. For our regulated UK ED operations, we consider cash flow durations that run until 2050, reflecting the expected investment required in the network, in excess of economy-wide long-term growth rates in order to deliver the energy transition. Total expenditure forecasts, comprising capital and operating expenditure, are estimated with reference to the Group's strategic modelling and expectations around a reasonable energy transition based upon the policies and commitments in place today. Cash flows related to uncommitted future restructurings and enhancement capital expenditure (beyond activity to reinforce the network and build new connections) are excluded from the projections. For our regulated US operations (New York and New England CGUs), we use a five-year cash flow forecast. For our National Grid Ventures operations, we typically model cash flows extending out to the end of each project's operational life based on the long-term horizon of our projects.

For our UK ED business, a nominal terminal growth rate of 1.8% (2024: 2.3%) is assumed upon the terminal year cash flows, reflecting management's best view, based on market and operational experience, of the expected long-term growth in the relevant market. For our regulated US operations we apply a growth rate of 2.3% (2024: 2.4%). This has been determined with regard to data on industry growth projections, specifically related to the energy transition, and projected growth in real Gross Domestic Product (GDP) for the territory within which the CGU is based.

Pre-tax cash flows are discounted by applying a pre-tax discount rate reflecting the time value of money and the risks specific to the group of assets. In practice, the post-tax discount rate for the group of assets in question is derived from a post-tax weighted average cost of capital. The assumptions used in the calculation of the weighted average cost of capital are benchmarked to externally available data. The determined discount rate is independent of the entity's capital structure and reflects a market participant's view of a risk adjusted discount rate specific to the CGU or group of CGUs. The post-tax discount rate is then grossed up to a pre-tax discount rate that is applied to pre-tax cash flows. The pre-tax discount rates used for the year ended 31 March 2025 were as follows: UK ED Group 5.4% (2024: 5.0%); UK ED distribution network operators 5.3% (2024: 5.0%); New York 6.3% (2024: 6.2%); New England 6.2% (2024: 6.1%); and National Grid Ventures – US 6.7% (2024: 7.2%).

(b) Key inputs and sensitivity analysis

In assessing the carrying value of goodwill and licences, we have sensitised our forecasts to factor in adjustments to key inputs to each model. While regulatory licences are tested for impairment before we test goodwill, we consider the sensitivity for goodwill attributable to UK ED and our regulated US operations and those related to licences separately below.

Goodwill – UK ED, regulated US operations (New York and New England) and National Grid Ventures – US

While key assumptions underpinning the goodwill valuations will change over time, the Directors consider that no reasonably foreseeable change would result in an impairment of goodwill. This is in view of the long-term nature of the key assumptions, including those used in determining an appropriate discount rate, and specifically the risk-free rate and total market return, the margin by which the estimated value-in-use exceeds the carrying amount and the nature of the regulatory regimes that UK ED and our regulated US businesses operate under.

Indefinite-lived regulatory licences – UK ED

No reasonably possible changes to inputs to the impairment test performed over the South West, East Midlands, West Midlands and South Wales Distribution Network Operator licences were identified as resulting in an impairment.

12. Other intangible assets

Other intangible assets are the software assets controlled by us and the electricity distribution licences which provide us with the right to operate and invest in the relevant network that operates as a monopoly in the licensed geographical area. The regulatory licences were acquired following the Group's acquisition of NGED.

Our electricity distribution licences are indefinite-lived intangible assets for which there is no foreseeable limit to the period over which they are expected to generate net cash inflows. Once granted by Ofgem, the licence is issued to a licensee on the basis that it remains active into perpetuity. On that basis, the value attributed to the electricity distribution network licence assets is considered to have an indefinite useful life. The regulatory licence assets are subject to a review for impairment annually, or more frequently if events or circumstances indicate a potential impairment (see note 11 for details of impairment tests performed over indefinite-lived intangible assets). Any impairment is charged to the income statement as it arises.

Software is recorded at cost less accumulated amortisation and any provision for impairment. Our software assets are tested for impairment only if there is an indication that their carrying values may have been impaired. Impairments of assets are calculated as the difference between the carrying value of the asset and the recoverable amount, if lower. Where such an asset does not generate cash flows that are independent from other assets, the recoverable amount of the CGU to which that asset belongs is estimated. Impairments are recognised in the consolidated income statement within other operating costs. Any assets which suffered impairment in a previous period are reviewed for possible reversal of the impairment at each reporting date.

Internally generated intangible assets are recognised only if: i) an asset is created that can be identified; ii) it is probable that the asset created will generate future economic benefits; and iii) the development cost of the asset can be measured reliably. Where no internally generated intangible asset can be recognised, development expenditure is recorded as an expense in the period in which it is incurred.

Cloud computing arrangements are reviewed to determine if the Group has control of the software intangible asset. Control is considered to exist where the Group has the right to take possession of the software and run it on its own or a third party's computer infrastructure or if the Group has exclusive rights to use the software such that the supplier is unable to make the software available to other customers.

Costs relating to configuring or customising the software in a cloud computing arrangement are assessed to determine if there is a separate intangible asset over which the Group has control. If an asset is identified, it is capitalised and amortised over the useful economic life of the asset. To the extent that no separate intangible asset is identified, then the costs are either expensed when incurred or recognised as a prepayment and spread over the term of the arrangement if the costs are concluded to not be distinct.

Notes to the consolidated financial statements continued

12. Other intangible assets continued

(a) Analysis of other intangible assets

	Regulatory licences £m	Software £m	Assets in the course of construction £m	Total £m
Cost at 1 April 2023	1,714	3,066	561	5,341
Exchange adjustments	–	(45)	(6)	(51)
Additions	–	17	464	481
Disposals	–	(23)	–	(23)
Reclassifications[1]	–	598	(436)	162
Reclassification to held for sale (note 10)	–	(520)	(191)	(711)
Cost at 1 April 2024	1,714	3,093	392	5,199
Exchange adjustments	–	(61)	(7)	(68)
Additions	–	16	462	478
Disposals	–	(7)	–	(7)
Reclassifications[1]	–	376	(363)	13
Reclassification to held for sale (note 10)	–	(16)	–	(16)
Cost at 31 March 2025	1,714	3,401	484	5,599
Accumulated amortisation at 1 April 2023	–	(1,727)	(10)	(1,737)
Exchange adjustments	–	23	–	23
Amortisation charge for the year	–	(301)	–	(301)
Accumulated amortisation of disposals	–	23	–	23
Reclassifications[1]	–	(161)	–	(161)
Reclassification to held for sale (note 10)	–	385	–	385
Accumulated amortisation at 1 April 2024	–	(1,758)	(10)	(1,768)
Exchange adjustments	–	36	–	36
Amortisation charge for the year	–	(323)	–	(323)
Accumulated amortisation of disposals	–	7	–	7
Reclassifications[1]	–	2	–	2
Reclassification to held for sale (note 10)	–	11	–	11
Accumulated amortisation at 31 March 2025	–	(2,025)	(10)	(2,035)
Net book value at 31 March 2025[2]	**1,714**	**1,376**	**474**	**3,564**
Net book value at 31 March 2024	1,714	1,335	382	3,431

1. Reclassifications includes amounts transferred to property, plant and equipment (see note 13).
2. The Group has capitalised £271 million (2024: £320 million) in relation to the Gas Business Enablement system in the US, of which £271 million (2024: £320 million) is in service and is being amortised over 10 years, with the remainder included within assets in the course of construction. A further £82 million (2024: £81 million) relates to our UK general ledger system within software and is being amortised over 10 years.

(b) Asset useful economic lives

No amortisation is provided on regulatory licences. Software is amortised over the period we expect to receive a benefit from the asset. An amortisation expense is charged to the income statement to reflect the reduced value of the asset over time. Amortisation is calculated by estimating the number of years we expect the asset to be used (its useful economic life, or UEL) and charging the cost of the asset to the income statement equally over this period.

	Years
Software	3 to 10
Regulatory licences	Indefinite

13. Property, plant and equipment

Property, plant and equipment are the physical assets controlled by us. The Group's interest comprises legally protected statutory or contractual rights of use. Property, plant and equipment is recorded at cost, less accumulated depreciation and any impairment losses.

The cost of property, plant and equipment primarily represents the amount initially paid or the fair value on the date of acquisition of a business. Cost includes the purchase price of the asset; any payroll and finance costs incurred which are directly attributable to the construction of property, plant and equipment together with an appropriate portion of overheads which are directly linked to the capital work performed; and the cost of any associated asset retirement obligations.

Additions represent the purchase or construction of new assets, including capital expenditure for safety and environmental assets, and extensions to, enhancements to, or replacement of, existing assets. All costs associated with projects or activities which have not been fully commissioned at the period end are classified within assets in the course of construction.

A depreciation expense is charged to the income statement to reflect annual wear and tear and the reduced value of the asset over time. Depreciation is calculated by estimating the number of years we expect the asset to be used (its useful economic life or UEL) and charging the cost of the asset to the income statement equally over this period.

Items within property, plant and equipment are tested for impairment only if there is some indication that the carrying value of the assets may have been impaired. Impairments of assets are calculated as the difference between the carrying value of the asset and the recoverable amount, if lower. Where such an asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which that asset belongs is estimated. Impairments are recognised in the income statement and, if immaterial, are included within the depreciation charge for the year.

We operate an energy networks business and therefore have a significant physical asset base. We continue to invest in our networks to maintain reliability, create new customer connections and ensure our networks are flexible, resilient and prepared for the transition to net zero. Our business plan envisages these additional investments will be funded through a mixture of cash generated from operations and the issue of new debt and equity.

(a) Analysis of property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Assets in the course of construction £m	Motor vehicles and office equipment £m	Total £m
Cost at 1 April 2023	4,066	69,765	6,760	1,222	81,813
Exchange adjustments	(49)	(841)	(67)	(19)	(976)
Additions	59	1,157	5,754	197	7,167
Disposals	(55)	(271)	(5)	(134)	(465)
Adjustment for change in discount rate on decommissioning provisions (note 26)	—	29	—	—	29
Reclassifications[1]	277	4,725	(5,389)	218	(169)
Reclassification to held for sale (note 10)	(88)	(13)	(31)	(134)	(266)
Cost at 1 April 2024	4,210	74,551	7,022	1,350	87,133
Exchange adjustments	(55)	(965)	(91)	(21)	(1,132)
Additions	60	1,172	7,529	220	8,981
Disposals	(59)	(387)	(9)	(239)	(694)
Adjustment for change in discount rate on decommissioning provisions (note 26)	—	7	—	—	7
Reclassifications[1]	198	4,583	(4,876)	83	(12)
Reclassification to held for sale (note 10)	(110)	(1,195)	(502)	(19)	(1,826)
Cost at 31 March 2025	4,244	77,766	9,073	1,374	92,457
Accumulated depreciation at 1 April 2023	(794)	(15,926)	(55)	(605)	(17,380)
Exchange adjustments	10	177	—	12	199
Depreciation charge for the year[2]	(80)	(1,515)	(20)	(189)	(1,804)
Disposals	50	252	2	134	438
Reclassifications[1]	(3)	281	—	(112)	166
Reclassification to held for sale (note 10)	59	1	6	89	155
Accumulated depreciation at 1 April 2024	(758)	(16,730)	(67)	(671)	(18,226)
Exchange adjustments	12	200	—	11	223
Depreciation charge for the year[2]	(93)	(1,632)	4	(203)	(1,924)
Disposals	49	387	9	236	681
Reclassifications[1]	(32)	33	3	(5)	(1)
Reclassification to held for sale (note 10)	51	817	—	13	881
Accumulated depreciation at 31 March 2025	(771)	(16,925)	(51)	(619)	(18,366)
Net book value at 31 March 2025	**3,473**	**60,841**	**9,022**	**755**	**74,091**
Net book value at 31 March 2024	3,452	57,821	6,955	679	68,907

1. Represents amounts transferred between categories, (to)/from other intangible assets (see note 12), (to)/from inventories.
2. Depreciation of assets in the course of construction relates to impairment provision adjustments.

Notes to the consolidated financial statements continued

13. Property, plant and equipment continued

(b) Asset useful economic lives

No depreciation is provided on freehold land or assets in the course of construction. Other items of property, plant and equipment are depreciated, on a straight-line basis, at rates estimated to write off their book values over their estimated UELs. In assessing UELs, consideration is given to any contractual arrangements and operational requirements relating to particular assets. The assessments of estimated UELs and residual values of assets are performed annually.

Certain network assets are depreciated using the group method of depreciation, in which a single composite depreciation rate is applied to a particular class of property, plant and equipment. This method pools similar assets together, and then depreciates each group as a whole over their respective useful lives. In the US, the Company conducts independent depreciation studies on a periodic basis as part of the regulatory ratemaking process to estimate group depreciation rates. These depreciation studies are subject to review and approval by the US state and federal regulators, with the depreciation expense recovered through rates charged to customers. Likewise in the UK, the composite depreciation rates are benchmarked to internal engineering studies and known asset performance lives. Depreciation expense includes a component for the original cost of assets and a component for estimated cost of future removal, net of any salvage value at retirement. Upon retirement of components of the Company's network assets, the original cost of the retired assets, net of salvage value, is charged against accumulated depreciation, with no gain or loss recognised.

Unless otherwise determined by operational requirements, the depreciation periods for the principal categories of property, plant and equipment are shown in the table that follows split between the UK and US, along with the weighted average remaining UEL for each class of property, plant and equipment (which is calculated by dividing the net book value of that class of asset by the respective annual depreciation charge).

	Years		
	UK	US	Weighted average remaining UEL
Freehold and leasehold buildings	up to 60	up to 100	39
Plant and machinery:			
Electricity transmission plant and wires	up to 100	10 to 85	31
Electricity distribution plant	14 to 99	5 to 85	46
Electricity generation plant	n/a	10 to 93	8
Interconnector plant and other	5 to 70	5 to 54	18
Gas plant – mains, services and regulating equipment	n/a	20 to 95	51
Gas plant – storage	n/a	20 to 60	20
Gas plant – meters	n/a	14 to 45	24
Motor vehicles and office equipment	up to 30	up to 34	3

(c) Gas asset lives

The role that our US gas networks play in the pathway to achieving the greenhouse gas emissions reductions targets set in the jurisdictions in which we operate is currently uncertain. Policymakers in New York and Massachusetts continue to indicate an increase in electrification to meet their respective decarbonisation targets, while as a Group we are committed in our transition to net zero. As a result, there is a risk that the UELs of certain elements of our gas networks may be shortened in line with future policy, regulatory frameworks and planning systems aimed to support the decarbonisation of the energy sector.

In the US, our gas distribution asset lives are assessed as part of detailed depreciation studies completed as part of each separate rate proceeding. Depreciation studies consider the physical condition of assets and the expected operational life of an asset. The weighted average remaining UEL for our US gas distribution fixed asset base is circa 51 years; however, a proportion of our assets are assumed to have UELs which extend beyond 2080. In assessing these UELs, we consider a range of different pathways related to our gas assets. These pathways factor in the net zero ambitions of the Group and the jurisdictions that we operate in, anticipated changes in customer behaviour, developments in new technology, the feasibility and affordability of electrification, and the ability to decarbonise fuel through the use of renewable natural gas (RNG) and green hydrogen. On balance of the different pathways considered, we continue to believe the lives identified by rate proceedings are the best estimate of the assets' UELs given the need to provide safe, affordable and reliable heating services. We keep this assumption under review and we continue to actively engage and support our regulators to enable the clean energy transition.

Asset depreciation lives feed directly into our US regulatory recovery mechanisms, such that any shortening of asset lives and regulatory recovery periods as agreed with regulators should be recoverable through future rates, subject to agreement, over future periods, as part of wider considerations around ensuring the continuing affordability of gas in our service territories.

Given the uncertainty described relating to the UELs of our gas assets, below we provide a sensitivity analysis for the depreciation charge for our New York and New England segments were a shorter UEL presumed. It should be noted that the net zero pathways which we consider probable all suggest some role for gas in heating buildings beyond 2050, so our sensitivity analysis for 2050 illustrates an unlikely worst-case scenario.

	Increase in depreciation expense for the year ended 31 March 2025		Increase in depreciation expense for the year ended 31 March 2024	
	New York £m	**New England £m**	New York £m	New England £m
UELs limited to 2050	**235**	**78**	208	66
UELs limited to 2060	**110**	**32**	100	26
UELs limited to 2070	**54**	**9**	46	6

13. Property, plant and equipment continued

(c) Gas asset lives continued

Note that this sensitivity calculation excludes any assumptions regarding the residual value for our asset base and the effect that shortening asset depreciation lives would be expected to have on our regulatory recovery mechanisms. In the event that any of the US gas distribution assets are stranded, the Group would expect to recover the associated costs. While recovery is not guaranteed and is determined by regulators in the US, there are precedents for stranded asset cost recovery for US utility companies.

(d) Right-of-use assets

The Group leases various properties, land, equipment and cars. New lease arrangements entered into are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The right-of-use asset and associated lease liability arising from a lease are initially measured at the present value of the lease payments expected over the lease term. The lease payments include fixed payments, any variable lease payments dependent on an index or a rate, and any break fees or renewal option costs that we are reasonably certain to incur. The discount rate applied is the rate implicit in the lease or, if that is not available, the incremental rate of borrowing for a similar term and similar security. This is determined based on observable data for borrowing rates for the specific Group entity that has entered into the lease, with specific adjustments for the term of the lease and any lease-specific risk premium. The lease term takes account of extension options that are at our option if we are reasonably certain to exercise the option and any lease termination options unless we are reasonably certain not to exercise the option. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period using the effective interest rate method. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as computers), the Group continues to recognise a lease expense on a straight-line basis.

The table that follows shows the movements in the net book value of right-of-use assets included within property, plant and equipment at 31 March 2025 and 31 March 2024, split by category. The associated lease liabilities are disclosed in note 21.

	Land and buildings £m	Plant and machinery £m	Assets in the course of construction £m	Motor vehicles and office equipment £m	Total £m
Net book value at 1 April 2023	281	150	—	240	671
Exchange adjustments	(5)	(2)	—	(5)	(12)
Additions	52	2	—	146	200
Reclassifications	—	(5)	—	5	—
Reclassification to held for sale (note 10)	(12)	—	—	(1)	(13)
Disposals	(1)	—	—	(2)	(3)
Depreciation charge for the year	(22)	(17)	—	(76)	(115)
Net book value at 31 March 2024	293	128	—	307	728
Exchange adjustments	(6)	(2)	—	(7)	(15)
Additions	39	2	—	159	200
Reclassification to held for sale (note 10)	(2)	(15)	—	—	(17)
Disposals	—	—	—	(3)	(3)
Depreciation charge for the year	(21)	(12)	—	(87)	(120)
Net book value at 31 March 2025	**303**	**101**	**—**	**369**	**773**

The following balances have been included in the income statement for the years ended 31 March 2025 and 31 March 2024 in respect of right-of-use assets:

	2025 £m	2024 £m
Included within net finance income and costs:		
Interest expense on lease liabilities	**(40)**	(69)
Included within revenue:		
Lease income[1]	**406**	384
Included within operating expenses:		
Expense relating to short-term and low-value leases	**(24)**	(20)

1. Included within lease income is £384 million (2024: £360 million) of variable lease payments, the majority of which relates to the power supply arrangement entered into with LIPA (see note 3).

Notes to the consolidated financial statements continued

14. Other non-current assets

Other non-current assets include assets that do not fall into specific non-current asset categories (such as goodwill or property, plant and equipment) where the benefit to be received from the asset is not due to be received until after 31 March 2026.

	2025 £m	2024 £m
Other receivables[1]	299	458
Prepayments[2]	660	390
	959	848

1. Primarily comprises amounts due in relation to property sales to The Berkeley Group. These amounts will be fully received by 2031.
2. Included within prepayments are capital expenditure prepayments made to suppliers to secure production capacity for certain of our capital projects. The associated cash flows for capital expenditure prepayments are included within purchases of property, plant and equipment within the consolidated cash flow statement.

15. Financial and other investments

The Group holds a range of financial and other investments. These investments include short-term money market funds, quoted investments in bonds of other companies, investments in our venture capital portfolio (National Grid Partners), and investments that cannot be readily used in operations, principally collateral deposited in relation to derivatives.

The classification of each investment held by the Group is determined based on two main factors:
- its contractual cash flows – whether the asset's cash flows are solely payments of the principal and interest on the financial asset on pre-determined dates or whether the cash flows are determined by other factors such as the performance of a company; and
- the business model for holding the investments – whether the intention is to hold onto the investment for the longer term (collect the contractual cash flows) or to sell the asset with the intention of managing any gain or loss on sale or to manage any liquidity requirements.

The three categories of financial and other investments are as follows:
- Financial assets at amortised cost – debt instruments that have contractual cash flows that are solely payments of principal and interest, and which are held within a business model whose objective is to collect contractual cash flows, are held at amortised cost. This category includes our receivables in relation to deposits and collateral;
- FVOCI debt and other investments – debt investments, such as bonds, that have contractual cash flows that are solely payments of principal and interest, and which are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, are measured at FVOCI, with gains or losses recognised in the consolidated statement of comprehensive income instead of through the income statement. On disposal, any gains or losses are recognised within finance income in the income statement (see note 6). Other investments include insurance contracts which are held to back the present value of unfunded pension liabilities (see note 25); and
- FVTPL investments – other financial investments are subsequently measured at fair value with any gains or losses recognised in the income statement (FVTPL). This primarily comprises our money market funds, insurance company fund investments and corporate venture capital investments held by National Grid Partners.

Financial and other investments are initially recognised on trade date. Subsequent to initial recognition, the fair values of financial assets that are quoted in active markets are based on bid prices. When independent prices are not available, fair values are determined by applying valuation techniques used by the relevant markets, including observable market data where possible (see note 32(g) for further details).

15. Financial and other investments continued

	2025 £m	2024 £m
Non-current		
FVOCI debt and other investments	**384**	397
FVTPL investments	**407**	483
Financial assets at amortised cost	**7**	—
	798	880
Current		
FVTPL investments	**5,156**	3,084
Financial assets at amortised cost	**597**	615
	5,753	3,699
	6,551	4,579
Financial and other investments include the following:		
Investments in short-term money market funds	**4,725**	2,668
Investments held by National Grid Partners	**346**	375
Investments in Sunrun	**60**	108
Balances that are restricted or not readily used in operations:		
Collateral[1]	**506**	496
Insurance company and non-qualified plan investments	**578**	578
Cash surrender value of life insurance policies	**238**	235
Other investments	**98**	119
	6,551	4,579

1. The collateral balance includes £477 million (2024: £466 million) of collateral placed with counterparties with whom we have entered into a credit support annex to the International Swaps and Derivatives Association (ISDA) Master Agreement, £24 million (2024: £24 million) of restricted amounts allocated for specific projects within National Grid Electricity Transmission plc and £5 million (2024: £6 million) insurance captive letters of credit.

FVTPL and FVOCI investments are recorded at fair value. The carrying value of current financial assets at amortised cost approximates their fair values, primarily due to short-dated maturities. The exposure to credit risk at the reporting date is the fair value of the financial investments. For further information on our credit risk, refer to note 32(a).

For the purposes of impairment assessment, the investments in bonds are considered to be low risk as they are investment grade securities; life insurance policies are held with regulated insurance companies; and deposits, collateral receivable and other financial assets at amortised cost have an average credit rating on a weighted basis of AA or better at all times based on investment policy. All financial assets held at FVOCI or amortised cost are therefore considered to have low credit risk and have an immaterial impairment loss allowance equal to 12-month expected credit losses.

In determining the expected credit losses for these assets, some or all of the following information has been considered: credit ratings, the financial position of counterparties, the future prospects of the relevant industries and general economic forecasts.

No FVOCI or amortised cost financial assets have had modified cash flows during the period. There has been no change in the estimation techniques or significant assumptions made during the year in assessing the loss allowance for these financial assets. There were no significant movements in the gross carrying value of financial assets during the year that contribute to changes in the loss allowance. No collateral is held in respect of any of the financial investments in the above table. No balances are more than 30 days past due and no balances were written off during the year.

Notes to the consolidated financial statements continued

16. Investments in joint ventures and associates

Investments in joint ventures and associates represent businesses we do not control but over which we exercise joint control or significant influence. They are accounted for using the equity method. A joint venture is an arrangement established to engage in economic activity, which the Group jointly controls with other parties and has rights to a share of the net assets of the arrangement. An associate is an entity which is neither a subsidiary nor a joint venture, but over which the Group has significant influence.

	2025			2024		
	Associates £m	**Joint ventures £m**	**Total £m**	Associates £m	Joint ventures £m	Total £m
Share of net assets at 1 April	**158**	**1,262**	**1,420**	154	1,146	1,300
Exchange adjustments	**(4)**	**(46)**	**(50)**	(3)	(28)	(31)
Additions	**23**	**93**	**116**	13	319	332
Share of post-tax results for the year	**11**	**62**	**73**	9	28	37
Impairment	**—**	**(303)**	**(303)**	—	—	—
Dividends received	**(18)**	**(53)**	**(71)**	(15)	(152)	(167)
Disposals	**(1)**	**—**	**(1)**	(1)	—	(1)
Reclassification to held for sale (note 10)	**—**	**(582)**	**(582)**	—	—	—
Other movements[1]	**5**	**1**	**6**	1	(51)	(50)
Share of net assets at 31 March	**174**	**434**	**608**	158	1,262	1,420

1. Other movements in the prior year relate to tax liabilities for US and certain UK associates and joint ventures which are borne by the Group and the elimination of profits arising from sales to the Group's share of joint ventures.

A list of joint ventures and associates, including the name and proportion of ownership, is provided in note 34. Transactions with and outstanding balances with joint ventures and associates are shown in note 31. The joint ventures and associates have no significant contingent liabilities to which the Group is exposed and the Group has no significant contingent liabilities in relation to its interests in the joint ventures and associates. The Group has capital commitments in relation to its joint ventures and associates of £635 million (2024: £1,286 million), which primarily relate to the funding of new capital investment projects.

The following table describes the Group's material joint ventures and associates at 31 March 2025:

Joint venture[1]	**% stake**	
BritNed Development Limited[1]	50%	BritNed is a joint venture with the Dutch transmission system operator, TenneT, and operates the subsea electricity interconnector between Great Britain and the Netherlands, commissioned in 2011.
Nemo Link Limited[1]	50%	Nemo is a joint venture with the Belgian transmission operator, Elia, and operates the subsea electricity interconnector between Great Britain and Belgium, which became operational in 2019.

1. The joint ventures have reporting periods ending on 31 December with monthly management reporting information provided to the Group.

The Group also holds a 51% interest in Emerald Energy Venture, LLC, a joint venture with Washington State Investment Board which builds and operates wind and solar assets. In the year, the Group classified its interest in Emerald, together with NG Renewables, as held for sale and ceased equity accounting for its share of results (see note 10).

In March 2021, the Group entered into an offshore partnership agreement with RWE Renewables to form Community Offshore Wind, LLC. The purpose of the joint venture is to explore, develop, and eventually construct and operate renewable facilities in the northeastern US offshore wind market. In February 2022, the partnership successfully bid in the New York Bight seabed lease auction. The Group's investment in Community Offshore Wind represents our share of the seabed lease and initial development costs incurred to date. As of 31 March 2025, the project has not yet reached the construction stage.

On 20 January 2025, an Executive Memorandum was issued by the US Administration on wind power, temporarily suspending offshore wind leasing, ordering a review of existing leases and directing a review and pause on permitting. Accordingly, we have agreed with RWE Renewables to place a temporary pause on development of the project. This reflects the uncertainty surrounding the longer-term consequences of the changes in US energy policy on the renewable energy sector. Certain developments after 31 March 2025 have further reaffirmed the view that the issuance of the Executive Memorandum will likely suspend any development for the foreseeable future.

Given the recent changes in US energy-related policies, the Group has assessed that these developments currently affect our ability to complete physical construction of the development and the ability to recover costs from customers through applicable frameworks. We have considered the potential impact on our valuation of our investment in Community Offshore Wind and determined that the investment currently has negligible value. Accordingly, the carrying value of the £303 million investment has been fully impaired. The impairment charge has been recognised in the NGV operating segment and classified as exceptional in line with our exceptional items framework (see note 5). Whilst development activity is currently suspended, we continue to consider Community Offshore Wind could play an important role in New York's future energy strategy. We will reassess the project development pause should market conditions improve in the future.

16. Investments in joint ventures and associates continued

Summarised financial information as at 31 March, together with the carrying amount of material investments, is as follows:

	BritNed Development Limited		Nemo Link Limited	
	2025 £m	2024 £m	**2025 £m**	2024 £m
Statement of financial position				
Non-current assets	**352**	376	**447**	478
Cash and cash equivalents	**76**	69	**118**	46
All other current assets	**48**	36	**8**	6
Non-current liabilities	**(51)**	(57)	**(3)**	(3)
Non-current financial liabilities	**(32)**	(31)	**(32)**	(32)
Current liabilities	**(39)**	(39)	**(109)**	(55)
Net assets	**354**	354	**429**	440
Group's ownership interest in joint venture/associate	**177**	177	**215**	220
Group adjustment: elimination of profits on sales to joint venture	**—**	—	**—**	—
Carrying amount of the Group's investment	**177**	177	**215**	220

	BritNed Development Limited		Nemo Link Limited	
	2025 £m	2024 £m	**2025 £m**	2024 £m
Income statement				
Revenue	**108**	158	**102**	109
Depreciation and amortisation	**(16)**	(16)	**(23)**	(23)
Other (costs)/income	**(23)**	(25)	**(16)**	(15)
Operating profit	**69**	117	**63**	71
Net interest (expense)/income	**(1)**	(2)	**1**	—
Profit before tax	**68**	115	**64**	71
Income tax expense	**(18)**	(31)	**(16)**	(17)
Profit for the year	**50**	84	**48**	54
Group's share of post-tax results for the year	**25**	42	**24**	27

The aggregate information of associates and joint ventures that are not individually material is as follows:

	2025 £m	2024 £m
Share of post-tax results for the year[1]	**24**	25
Impairment	**(303)**	—
Share of total comprehensive income	**(279)**	25
Aggregate carrying value of the Group's interests	**216**	1,023

1. The amount for the year ended 31 March 2024 excludes £42 million loss generated by Emerald Energy Venture LLC in 2024 as it has now been reclassified to held for sale (see note 10).

Notes to the consolidated financial statements continued

17. Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of an underlying item such as interest rates, foreign exchange rates, credit spreads, commodities, equities or other indices. In accordance with policies approved by the Board, derivatives are transacted generally to manage exposures to fluctuations in interest rates, foreign exchange rates and commodity prices. Our derivatives balances comprise two broad categories:

- financing derivatives – these are used to manage our exposure to interest rates and foreign exchange rates. Specifically, we use these derivatives to manage our financing portfolio, holdings in foreign operations and contractual operational cash flows; and
- commodity contract derivatives – these are used to manage exposure to price and supply risks related to our US customers and UK business. Some forward contracts for the purchase of commodities meet the definition of derivatives. We also enter into derivative financial instruments linked to commodity prices, including options and swaps, which are used to manage market price volatility.

Derivatives are initially recognised at fair value and subsequently remeasured to fair value at each reporting date. Changes in fair values are recorded in the period they arise, in either the consolidated income statement or other comprehensive income. Where the gains or losses recorded in the income statement arise from changes in the fair value of derivatives to the extent that hedge accounting is not applied or is not fully effective, these are recorded as remeasurements, detailed in notes 5 and 6. Where the fair value of a derivative is positive it is carried as a derivative asset, and where negative as a derivative liability.

The fair value of derivative financial instruments is calculated by taking the present value of future cash flows, primarily incorporating market observable inputs where available. The various inputs include foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate and inflation curves, the forward rate curves of underlying commodities and, for those positions that are not fully cash collateralised, the credit quality of the counterparties.

Certain clauses embedded in non-derivative financial instruments or other contracts are presented as derivatives because they impact the risk profile of their host contracts and they are deemed to have risks or rewards not closely related to those host contracts.

Further information on how derivatives are valued and used for risk management purposes is presented in note 32. Information on commodity contracts and other commitments not meeting the definition of derivatives is presented in note 30.

The fair values of derivatives by category are as follows:

	2025			2024		
	Assets £m	**Liabilities £m**	**Total £m**	Assets £m	Liabilities £m	Total £m
Current	**113**	**(381)**	**(268)**	44	(335)	(291)
Non-current	**369**	**(821)**	**(452)**	324	(909)	(585)
	482	**(1,202)**	**(720)**	368	(1,244)	(876)
Financing derivatives	**375**	**(1,138)**	**(763)**	333	(1,126)	(793)
Commodity contract derivatives	**107**	**(64)**	**43**	35	(118)	(83)
	482	**(1,202)**	**(720)**	368	(1,244)	(876)

(a) Financing derivatives

The fair values of financing derivatives by type are as follows:

	2025			2024		
	Assets £m	**Liabilities £m**	**Total £m**	Assets £m	Liabilities £m	Total £m
Interest rate swaps	**98**	**(196)**	**(98)**	43	(110)	(67)
Cross-currency interest rate swaps	**193**	**(766)**	**(573)**	234	(844)	(610)
Foreign exchange forward contracts[1]	**53**	**(81)**	**(28)**	16	(68)	(52)
Inflation-linked swaps	**31**	**(95)**	**(64)**	40	(104)	(64)
	375	**(1,138)**	**(763)**	333	(1,126)	(793)

1. Included within the foreign exchange forward contracts balance are £45 million (2024: £36 million) of derivative liabilities in relation to the hedging of capital expenditure.

17. Derivative financial instruments continued

(a) Financing derivatives continued

The maturity profile of financing derivatives is as follows:

	2025			2024		
	Assets £m	**Liabilities £m**	**Total £m**	Assets £m	Liabilities £m	Total £m
Current						
Less than 1 year	**19**	**(355)**	**(336)**	18	(249)	(231)
	19	**(355)**	**(336)**	18	(249)	(231)
Non-current						
In 1 to 2 years	**46**	**(61)**	**(15)**	6	(80)	(74)
In 2 to 3 years	**41**	**(77)**	**(36)**	31	(44)	(13)
In 3 to 4 years	**47**	**(73)**	**(26)**	32	(74)	(42)
In 4 to 5 years	**6**	**(25)**	**(19)**	49	(83)	(34)
More than 5 years	**216**	**(547)**	**(331)**	197	(596)	(399)
	356	**(783)**	**(427)**	315	(877)	(562)
	375	**(1,138)**	**(763)**	333	(1,126)	(793)

The notional contract amounts of financing derivatives by type are as follows:

	2025 £m	2024 £m
Interest rate swaps	**(7,763)**	(2,175)
Cross-currency interest rate swaps	**(16,019)**	(15,602)
Foreign exchange forward contracts	**(7,761)**	(7,675)
Inflation-linked swaps	**(3,190)**	(3,190)
	(34,733)	(28,642)

(b) Commodity contract derivatives

The fair values of commodity contract derivatives by type are as follows:

	2025			2024		
	Assets £m	**Liabilities £m**	**Total £m**	Assets £m	Liabilities £m	Total £m
Commodity purchase contracts accounted for as derivative contracts						
Forward purchases of gas	**3**	**(7)**	**(4)**	—	(3)	(3)
Derivative financial instruments linked to commodity prices						
Electricity capacity	**2**	**(17)**	**(15)**	—	—	—
Electricity swaps	**74**	**(38)**	**36**	33	(82)	(49)
Electricity options	**1**	**(1)**	**—**	—	(1)	(1)
Gas swaps	**15**	**(1)**	**14**	2	(22)	(20)
Gas options	**12**	**—**	**12**	—	(10)	(10)
	107	**(64)**	**43**	35	(118)	(83)

Notes to the consolidated financial statements continued

17. Derivative financial instruments continued

(b) Commodity contract derivatives continued

The maturity profile of commodity contract derivatives is as follows:

	2025			2024		
	Assets £m	Liabilities £m	Total £m	Assets £m	Liabilities £m	Total £m
Current						
Less than one year	**94**	**(26)**	**68**	26	(86)	(60)
	94	**(26)**	**68**	26	(86)	(60)
Non-current						
In 1 to 2 years	**12**	**(20)**	**(8)**	3	(28)	(25)
In 2 to 3 years	**1**	**(12)**	**(11)**	5	(4)	1
In 3 to 4 years	**—**	**(2)**	**(2)**	1	—	1
In 4 to 5 years	**—**	**(2)**	**(2)**	—	—	—
More than 5 years	**—**	**(2)**	**(2)**	—	—	—
	13	**(38)**	**(25)**	9	(32)	(23)
	107	**(64)**	**43**	35	(118)	(83)

The notional quantities of commodity contract derivatives by type are as follows:

	2025	2024
Forward purchases of gas[1]	**74m Dth**	38m Dth
Electricity capacity	**5 TWh**	— TWh
Electricity swaps	**14,040 GWh**	14,128 GWh
Gas swaps	**30m Dth**	44m Dth
Gas options	**89m Dth**	78m Dth

1. Forward gas purchases have terms up to three years (2024: one year). The contractual obligations under these contracts are £46 million (2024: £14 million).

18. Inventories

Inventories represent assets that we intend to use in order to generate revenue in the short term, either by selling the asset itself (for example fuel stocks) or by using it to fulfil a service to a customer or to maintain our network (consumables).

Inventories are stated at the lower of weighted average cost and net realisable value. Where applicable, cost comprises direct materials and direct labour costs as well as those overheads that have been directly incurred in bringing the inventories to their present location and condition.

Emission allowances, principally relating to the emissions of carbon dioxide in the UK and sulphur and nitrous oxides in the US, are recorded as inventory. They are initially recorded at cost and subsequently at the lower of cost and net realisable value. A liability is recorded in respect of the obligation to deliver emission allowances and emission charges are recognised in the income statement in the period in which emissions are made.

	2025 £m	2024 £m
Fuel stocks	**95**	188
Raw materials and consumables	**356**	542
Emission allowances	**106**	98
	557	828

There is a provision for obsolescence of £1 million against inventories as at 31 March 2025 (2024: £4 million).

19. Trade and other receivables

Trade and other receivables include amounts which are due from our customers for services we have provided, accrued income which has not yet been billed, prepayments, contract assets where certain milestones are required to be fulfilled and other receivables that are expected to be settled within 12 months.

Trade and other receivables are initially recognised at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price, and are subsequently measured at amortised cost, less any appropriate allowances for estimated irrecoverable amounts.

	2025 £m	2024 £m
Trade receivables	**3,050**	2,501
Accrued income	**1,083**	885
Provision for impairment of receivables and accrued income	**(578)**	(559)
Trade receivables and accrued income, net	**3,555**	2,827
Prepayments	**340**	385
Contract assets	**—**	76
Other receivables	**197**	127
	4,092	3,415

Trade receivables are non-interest-bearing and generally have a term of up to 60 days. Due to their short maturities, the fair value of trade and other receivables approximates their carrying value. The maximum exposure of trade and other receivables to credit risk is the carrying amount reported on the balance sheet.

Provision for impairment of receivables

A provision for credit losses is recognised at an amount equal to the expected credit losses that will arise over the lifetime of the trade receivables and accrued income.

	2025 £m	2024 £m
At 1 April	**559**	560
Exchange adjustments	**(11)**	(12)
Charge for the year, net of recoveries	**200**	179
Uncollectible amounts written off	**(168)**	(163)
Reclassification to held for sale (note 10)	**(2)**	(5)
At 31 March	**578**	559

The trade receivables balance, accrued income balance and provisions balance split by geography are as follows:

	As at 31 March 2025			As at 31 March 2024		
	UK £m	**US £m**	**Total £m**	UK £m	US £m	Total £m
Trade receivables	**265**	**2,785**	**3,050**	162	2,339	2,501
Accrued income	**513**	**570**	**1,083**	337	548	885
Provision for impairment of receivables and accrued income	**(3)**	**(575)**	**(578)**	(3)	(556)	(559)
	775	**2,780**	**3,555**	496	2,331	2,827

There are no retail customers in the UK businesses. A provision matrix is not used in the UK, as an assessment of expected losses on individual debtors is performed and the provision is not material.

In the US, £2,813 million (2024: £2,437 million) of the trade receivables and accrued income balance is attributable to retail customers. For non-retail US customer receivables, a provision matrix is not used and expected losses are determined on individual debtors.

The provision for retail customer receivables in the US is calculated based on a series of provision matrices which are prepared by regulated entity and by customer type. The expected loss rates in each provision matrix are based on historical loss rates adjusted for current and forecast economic conditions at the balance sheet date. The inclusion of forward-looking information in the provision matrix-setting process under IFRS 9 results in loss rates that reflect expected future economic conditions and the recognition of an expected loss on all debtors even where no loss event has occurred.

In March 2020, the Group's US distribution business temporarily ceased certain customer cash collection activities in response to regulatory instructions and to changes in state-, federal- and city-level regulations and guidance, and actions to minimise risk to the Group's employees as a result of COVID-19. Customer termination activities also ceased in line with requests by relevant local authorities and this resulted in the recognition of additional expected credit losses, although cash collection and customer termination activities have subsequently resumed in both New England and New York.

Notes to the consolidated financial statements continued

19. Trade and other receivables continued

Provision for impairment of receivables continued

In calculating our provision for impairment of receivables at 31 March 2025, we incorporate actual cash collection levels experienced over a three-year period to determine the expected loss rates per category of outstanding receivable by operating company. These are benchmarked against provision matrices run on pre-COVID-19 behaviour and data. Factored into our analysis are expected cash collections based on the collection activities in New England and New York, as well as the outlook for the wider macroeconomic environment. The resulting rates are summarised in the provision matrix shown below.

Based on our review, we recognised a charge of £200 million (2024: £176 million), which represents our best estimate based on the information available. We based our review on certain macroeconomic factors, including unemployment levels, inflation, average commodity rate changes and our experience regarding debtor recoverability.

The average expected loss rates and gross balances for the retail customer receivables in our US operations are set out below. Loss rates have increased across the majority of our ageing categories, primarily due to the impact of ongoing cash collection activities.

	2025		2024	
	%	£m	%	£m
Accrued income	**5**	**546**	3	533
0 – 30 days past due	**5**	**1,033**	3	822
30 – 60 days past due	**16**	**313**	14	219
60 – 90 days past due	**24**	**154**	21	125
3 – 6 months past due	**31**	**172**	27	173
6 – 12 months past due	**38**	**186**	34	191
Over 12 months past due	**53**	**409**	73	374
		2,813		2,437

US retail customer receivables are not collateralised. Trade receivables are written off when regulatory requirements are met. Write-off policies vary between jurisdictions as they are aligned with the local regulatory requirements, which differ between regulators. There were no significant amounts written off during the period that were still subject to enforcement action. Our internal definition of default is aligned with that of the individual regulators in each jurisdiction.

For further information on our wholesale and retail credit risk, refer to note 32(a).

20. Cash and cash equivalents

Cash and cash equivalents include cash balances, together with short-term investments with an original maturity of three months or less that are readily convertible to cash.

The carrying amounts of cash and cash equivalents approximate their fair values.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for periods varying between one day and three months, depending on the immediate cash requirements, and earn interest at the respective short-term deposit rates.

Cash and cash equivalents held in currencies other than sterling have been converted into sterling at year-end exchange rates. For further information on currency exposures, refer to note 32(c).

Cash and cash equivalents at 31 March 2025 include £nil (2024: £11 million) that is restricted. The restricted cash balances included cash balances that could only be used for low-carbon network fund projects.

	2025 £m	2024 £m
Cash at bank	**625**	259
Short-term deposits	**553**	300
Cash and cash equivalents	**1,178**	559

21. Borrowings

We borrow money primarily in the form of bonds and bank loans. These are for a fixed term and may have fixed or floating interest rates or are linked to inflation indices. We use derivatives to manage risks associated with interest rates, inflation rates and foreign exchange. Lease liabilities are also included within borrowings.

Our price controls and rate plans lead us to fund our networks within a certain ratio of debt to equity or regulatory asset value and, as a result, we have issued a significant amount of debt. As we continue to invest in our networks, the value of debt is expected to increase over time. To maintain a strong balance sheet and to allow us to access capital markets at commercially acceptable interest rates, we balance the amount of debt we issue with the value of our assets, and we take account of certain other metrics used by credit rating agencies.

Borrowings, which include interest-bearing and inflation-linked debt, overdrafts and collateral payable, are initially recorded at fair value. This normally reflects the proceeds received (net of direct issue costs for liabilities measured at amortised cost). Subsequently, borrowings are stated either: i) at amortised cost; or ii) at fair value though profit and loss. Where a borrowing is held at amortised cost, any difference between the proceeds after direct issue costs and the redemption value is recognised over the term of the borrowing in the income statement using the effective interest method.

	2025 £m	2024 £m
Current		
Bank loans	**488**	460
Bonds	**1,828**	2,841
Commercial paper	**2,226**	1,444
Lease liabilities	**120**	114
	4,662	4,859
Non-current		
Bank loans	**1,834**	2,434
Bonds	**40,334**	39,114
Lease liabilities	**709**	665
	42,877	42,213
Total borrowings	**47,539**	47,072

Total borrowings are repayable as follows:

	2025 £m	2024 £m
Less than 1 year	**4,662**	4,859
In 1 to 2 years	**3,283**	2,706
In 2 to 3 years	**2,458**	3,134
In 3 to 4 years	**4,281**	2,948
In 4 to 5 years	**2,261**	4,375
More than 5 years:		
By instalments	**337**	736
Other than by instalments	**30,257**	28,314
	47,539	47,072

The fair value of borrowings, excluding lease liabilities, at 31 March 2025 was £43,137 million (2024: £42,617 million). Where market values were available, the fair value of borrowings (Level 1) was £34,639 million (2024: £34,281 million). Where market values were not available, the fair value of borrowings (Level 2) was £8,498 million (2024: £8,336 million) and calculated by discounting cash flows at prevailing interest rates. The notional amount outstanding of the debt portfolio at 31 March 2025 was £46,739 million (2024: £46,141 million). There have been no new issuances since the year end.

Collateral is placed with or received from any derivative counterparty where we have entered into a credit support annex to the ISDA Master Agreement once the current mark-to-market valuation of the trades between the parties exceeds an agreed threshold. Included in current bank loans is £49 million (2024: £72 million) in respect of cash received under collateral agreements. For further details of our borrowing facilities, refer to note 33. For further details of our bonds in issue, please refer to the debt investor section of our website. Unless included herein, the information on our website is unaudited.

Notes to the consolidated financial statements continued

21. Borrowings continued

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments expected over the lease term. The discount rate applied is the rate implicit in the lease or, if that is not available, the incremental rate of borrowing for a similar term and similar security. The lease term takes account of exercising any extension options that are at our option if we are reasonably certain to exercise the option as well as any lease termination options, unless we are reasonably certain not to exercise the option. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period using the effective interest rate method.

	2025 £m	2024 £m
Gross lease liabilities are repayable as follows:		
Less than 1 year	**143**	133
1 to 5 years	**425**	370
More than 5 years	**494**	507
	1,062	1,010
Less: finance charges allocated to future periods	**(233)**	(231)
	829	779
The present value of lease liabilities are as follows:		
Less than 1 year	**120**	114
1 to 5 years	**347**	300
More than 5 years	**362**	365
	829	779

22. Trade and other payables

Trade and other payables include amounts owed to suppliers, tax authorities and other parties which are due to be settled within 12 months. The total also includes deferred amounts, some of which represent monies received from customers but for which we have not yet delivered the associated service. These amounts are recognised as revenue when the service is provided.

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost.

	2025 £m	2024 £m
Trade payables	**2,965**	2,786
Deferred payables	**401**	327
Customer contributions[1]	**32**	34
Social security and other taxes	**131**	—
Other payables	**943**	929
	4,472	4,076

1. Relates to amounts received from government-related entities for connecting to our networks, where we have obligations remaining under the contract.

Due to their short maturities, the fair value of trade and other payables approximates their carrying value.

23. Contract liabilities

Contract liabilities primarily relate to the advance consideration received from customers for construction contracts, mainly in relation to connections, for which revenue is recognised over the life of the asset.

	2025 £m	2024 £m
Current	96	127
Non-current	2,418	2,119
	2,514	2,246

Significant changes in the contract liabilities balances during the period are as follows:

	2025 £m	2024 £m
As at 1 April	2,246	2,006
Exchange adjustments	(28)	(27)
Revenue recognised that was included in the contract liability balance at the beginning of the period	(129)	(252)
Increases due to cash received, excluding amounts recognised as revenue during the period	425	519
At 31 March	2,514	2,246

24. Other non-current liabilities

Other non-current liabilities include deferred income and customer contributions which will not be recognised as income until after 31 March 2026. It also includes other payables that are not due until after that date.

Other non-current liabilities are initially recognised at fair value and subsequently measured at amortised cost.

	2025 £m	2024 £m
Deferred income	6	11
Customer contributions[1]	403	411
Other payables[2]	467	458
	876	880

1. Relates to amounts received from government-related entities for connecting to our networks, where we have obligations remaining under the contract.
2. Included within other payables are payments due in respect of the IFA1 interconnector in accordance with the Use of Revenue regime constructed by Ofgem.

There is no material difference between the fair value and the carrying value of other payables.

Notes to the consolidated financial statements continued

25. Pensions and other post-retirement benefits

All of our employees are eligible to participate in a pension plan. We have defined contribution (DC) and defined benefit (DB) pension plans in the UK and the US. In the US, we also provide healthcare and life insurance benefits to eligible employees, post-retirement. The fair value of associated plan assets and present value of DB obligations are updated annually in accordance with IAS 19 'Employee Benefits'. We separately present our UK and US pension plans to show the geographical split. Below we provide a more detailed analysis of the amounts recorded in the primary financial statements and the actuarial assumptions used to value the DB obligations.

UK pension plans

Defined contribution plan

UK employees are eligible to join the National Grid UK Retirement Plan (NGUKRP), a section of a Master Trust arrangement managed by Legal & General. National Grid pays contributions into the NGUKRP to provide DC benefits on behalf of its employees, generally providing a double match of member contributions up to a maximum Company contribution of 12% of salary.

Investment risks are borne by the member and there is no legal or constructive obligation on National Grid to pay additional contributions in the instance that investment performance is poor. Payments to this DC plan are charged as an expense as they fall due.

Defined benefit plans

National Grid operates various DB pension arrangements in the UK. These include Section A of the National Grid UK Pension Scheme (NGUKPS), three sections of the industry-wide Electricity Supply Pension Scheme (ESPS), a legacy scheme (WPUPS), a DB section within WPPS and some unfunded pension obligations. These plans each hold assets in separate Trustee administered funds and are managed by Trustee companies with boards consisting of company and member appointed Directors. These plans are all closed to new members, except for the ESPS schemes in very rare circumstances.

The arrangements are subject to independent actuarial funding valuations carried out by the Trustees every three years. Following consultation and agreement with the Company, the qualified actuary certifies the employers' contributions which, together with the specified contributions payable by the employees and proceeds from the plans' assets, are expected to be sufficient to fund the benefits payable. The latest full actuarial valuations for each of the DB plans were carried out at 31 March 2022, with three of the plans showing a funding shortfall at the valuation date. These shortfalls were funded via recovery plan payments from the Company, which as at 31 March 2025 had all been paid. The Company also funds the cost of future benefit accrual (over and above member contributions) for each of the DB plans, with the aggregate level of ongoing contributions (excluding recovery plan payments) over the year to 31 March 2025 totalling £100 million (2024: £95 million). For some of the DB plans, the Company also pays contributions in respect of the costs of plan administration and the Pension Protection Fund (PPF) levies.

The Company has also established security arrangements with two of its DB plans. For National Grid Electricity Group (NGEG) of ESPS, the Company provides contingent security in the form of surety bonds, letters of credit or cash payments which are implemented if certain trigger events occur in respect of National Grid Electricity Transmission plc. The security, which is currently capped at £180 million, would then become payable to NGEG on certain company-related events, such as loss of licence or insolvency. In respect of Section A of NGUKPS, there is a guarantee in place which is enforceable on insolvency or on failure to pay pension obligations to Section A and can be claimed against National Grid plc, National Grid Holdings One plc or Lattice Group Limited.

During the year, the National Grid Electricity System Operator (ESO) transferred out of the Group. The sale was completed on 1 October 2024, with the ESO's share of DB pension assets and liabilities leaving the Group's balance sheet on that date, having previously been reallocated as held for sale (see note 10). In addition, on 31 October 2024 the Trustee of NGEG of ESPS carried out a bulk annuity transaction, securing approximately £1.7 billion of pensioner liabilities with Aviva plc. As part of the transaction, the scheme's existing longevity swap policy was novated to Aviva and is no longer recorded as a scheme asset.

US pension plans

The US pension plans are governed by the Retirement Plan Committee (RPC), a fiduciary committee. The RPC is structured in accordance with US laws governing retirement plans under the Employee Retirement Income Security Act (ERISA) and comprises appointed employees of the Company.

Defined contribution plan

National Grid has a DC pension plan which allows employee as well as Company contributions. Non-union employees hired after 1 January 2011, as well as most new hire union employees, receive a core contribution into the DC plan ranging from 3% to 9% of salary, irrespective of the employee's contribution into the plan. Most employees also receive a matching contribution that varies between 25% and 50% of employee contributions up to a maximum Company contribution of 8%. The assets of the plans are held in trusts and administered by the RPC.

25. Pensions and other post-retirement benefits continued

US pension plans continued

Defined benefit plans

National Grid sponsors four non-contributory qualified DB pension plans, which provide vested non-union employees hired before 1 January 2011, and vested eligible union employees, with retirement benefits within prescribed limits as defined by the US Internal Revenue Service. National Grid also provides non-qualified DB pension arrangements for a closed group of current and former employees with designated company investments set aside to fund these obligations. Benefits under the DB plans generally reflect age, years of service and compensation, and are paid in the form of an annuity or lump sum. The Company funds the DB plans by contributing no less than the minimum amount required, but no more than the maximum tax-deductible amount allowed under US Internal Revenue Service regulations. The range of contributions determined under these regulations can vary significantly depending upon the funded status of the plans. At present, there is some flexibility in the amount that is contributed on an annual basis. In general, the Company's policy for funding the US pension plans is to contribute the amounts collected in rates and capitalised in the rate base during the year, to the extent that the funding is no less than the minimum amount required. For the current financial year, these contributions amounted to approximately £27 million (2024: £26 million).

In the prior year, some of our US DB pension plans undertook annuity buyout transactions in which a portion of existing retiree pension payments were transferred to a reputable insurance company in exchange for single bulk premium payments. As a result, all associated financial, governance and administrative responsibilities for those payments were transferred to the selected insurer.

US other post-retirement benefits

National Grid provides post-retirement healthcare and life insurance benefits to eligible employees. Eligibility is based on certain age and length of service requirements and, in most cases, retirees contribute to the cost of their healthcare coverage. In the US, there is no governmental requirement to pre-fund post-retirement healthcare and life insurance plans. However, in general, the Company's policy for funding the US retiree healthcare and life insurance plans is to contribute amounts collected in rates and capitalised in the rate base during the year. For the current financial year, these contributions amounted to £10 million (2024: £21 million).

In the prior year, several post-retirement benefit plans were consolidated in an effort to simplify the plan and trust structure. This consolidation did not impact the benefits or plan obligations.

Actuarial assumptions

On retirement, members of DB plans receive benefits whose value is dependent on factors such as salary and length of pensionable service. National Grid's obligation in respect of DB pension plans is calculated separately for each DB plan by projecting the estimated amount of future benefit payments that employees have earned for their pensionable service in the current and prior periods. These future benefit payments are discounted to determine the present value of the liabilities.

Advice is taken from independent actuaries relating to the appropriateness of the key assumptions applied, including life expectancy, expected salary and pension increases, and inflation. Comparatively small changes in the assumptions used may have a significant effect on the amounts recognised in the consolidated income statement, the consolidated statement of other comprehensive income and the net asset or liability recognised in the consolidated statement of financial position. The sensitivities to significant risks are disclosed in note 35. Remeasurements of pension assets and post-retirement benefit obligations are recognised in full in the period in which they occur in the consolidated statement of other comprehensive income.

The Company has applied the following financial assumptions in assessing DB liabilities:

	UK pensions			US pensions			US other post-retirement benefits		
	2025 %	2024 %	2023 %	**2025 %**	2024 %	2023 %	**2025 %**	2024 %	2023 %
Discount rate – past service	**5.73**	4.87	4.80	**5.50**	5.15	4.85	**5.50**	5.15	4.85
Discount rate – future service	**5.95**	4.92	4.80	**5.50**	5.15	4.85	**5.50**	5.15	4.85
Rate of increase in RPI – past service	**2.99**	3.05	3.17	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Rate of increase in RPI – future service	**2.85**	2.92	3.07	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Salary increases	**3.08**	3.10	3.11	**4.50**	4.50	4.50	**4.50**	4.50	4.50
Initial healthcare cost trend rate	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**7.80**	7.10	6.80
Ultimate healthcare cost trend rate	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**4.50**	4.50	4.50

For UK pensions, single equivalent financial assumptions are shown above for presentational purposes, although full yield curves have been used in our calculations. The discount rate is determined by reference to high-quality UK corporate bonds at the reporting date. The rate of increase in salaries has been set using a promotional scale where appropriate. The rates of increases stated are not indicative of historical increases awarded or a guarantee of future increase, but merely an appropriate assumption used in assessing DB liabilities. Our DB plans in the UK provide for pension increases that are generally linked to the Retail Price Index (RPI), subject to relevant caps and floors.

Discount rates for US pension liabilities have been determined by reference to appropriate yields on high-quality US corporate bonds at the reporting date based on the duration of plan liabilities. The healthcare cost trend rate is expected to reach the ultimate trend rate by 2033 (2024: 2033).

Notes to the consolidated financial statements continued

25. Pensions and other post-retirement benefits continued

Actuarial assumptions continued

The table below sets out the projected life expectancies adopted for the UK and US pension arrangements:

	UK pensions			US pensions		
	2025 years	2024 years	2023 years	**2025 years**	2024 years	2023 years
Assumed life expectation for a retiree aged 65						
Males	**21.5**	21.5	21.9	**21.8**	21.6	21.6
Females	**23.9**	23.5	23.7	**23.8**	23.9	23.8
In 20 years:						
Males	**22.4**	22.6	23.0	**23.4**	23.3	23.2
Females	**25.3**	24.9	25.1	**25.4**	25.5	25.4

The weighted average duration of the DB obligation for each category of plan is 11 years for UK pension plans, 11 years for US pension plans and 12 years for US other post-retirement benefit plans. The table below summarises the split of DB obligations by status for each category of plan:

	UK pensions		US pensions		US other post-retirement benefits	
	2025 %	2024 %	**2025 %**	2024 %	**2025 %**	2024 %
Active members	**11**	14	**40**	37	**28**	29
Deferred members	**7**	8	**10**	10	**—**	—
Pensioner members	**82**	78	**50**	53	**72**	71

Amounts recognised in the consolidated statement of financial position

The geographical split of pensions and other post-retirement benefits is as shown below:

	UK pensions		US pensions		US other post-retirement benefits		Total	
	2025 £m	2024 £m	**2025 £m**	2024 £m	**2025 £m**	2024 £m	**2025 £m**	2024 £m
Present value of funded obligations	**(9,424)**	(10,465)	**(4,508)**	(4,702)	**(2,222)**	(2,434)	**(16,154)**	(17,601)
Fair value of plan assets	**10,603**	11,782	**5,180**	5,320	**2,658**	2,631	**18,441**	19,733
	1,179	1,317	**672**	618	**436**	197	**2,287**	2,132
Present value of unfunded obligations	**(51)**	(56)	**(196)**	(210)	**—**	—	**(247)**	(266)
Other post-employment liabilities	**—**	—	**—**	—	**(47)**	(52)	**(47)**	(52)
	1,128	1,261	**476**	408	**389**	145	**1,993**	1,814
Restrictions on asset recognised	**—**	—	**—**	—	**(77)**	—	**(77)**	—
Net defined benefit asset	**1,128**	**1,261**	**476**	**408**	**312**	**145**	**1,916**	**1,814**
Represented by:								
Liabilities	**(51)**	(56)	**(196)**	(210)	**(326)**	(327)	**(573)**	(593)
Assets	**1,179**	1,317	**672**	618	**638**	472	**2,489**	2,407
	1,128	1,261	**476**	408	**312**	145	**1,916**	1,814

The extent to which pension assets have been recognised in the UK and in the US reflects legal and actuarial advice that we have taken regarding recognition of surpluses under IFRIC 14. In the UK, the Group has an unconditional right to a refund in the event of a winding up. In the US, surplus assets of a plan may be used to pay for future benefits expected to be earned under that plan.

At 31 March 2025, the Group recognised an irrecoverable surplus of £77 million related to one OPEB plan. The economic benefit from reductions in future contributions to the plan is not sufficient to cover the surplus and this plan does not have an unconditional right to a refund of surplus assets in the event of a winding up without incurring significant tax charges.

25. Pensions and other post-retirement benefits continued

Amounts recognised in the income statement and statement of other comprehensive income

The expense or income arising from all Group retirement benefit arrangements recognised in the Group income statements is shown below:

	2025 £m	2024 £m	2023 £m
Included within operating costs			
Administration costs	**22**	22	19
Included within payroll costs			
Defined benefit plan costs:			
Current service cost	**138**	143	194
Past service cost – augmentations and redundancies	**1**	9	8
Gains on settlement	**—**	(30)	(45)
	139	122	157
Included within finance income and costs			
Net interest income	**(98)**	(100)	(85)
Total included in income statement	**63**	44	91
Exchange adjustments	**(20)**	(6)	41
Remeasurement losses of pension assets and post-retirement benefit obligations	**(29)**	(218)	(1,364)
Adjustments for restrictions on the defined benefit asset	**(77)**	—	—
Total included in the statement of other comprehensive income	**(126)**	(224)	(1,323)

The geographical split of pensions and other post-retirement benefits is shown below:

	UK pensions			US pensions			US other post-retirement benefits		
	2025 £m	2024 £m	2023 £m	2025 £m	2024 £m	2023 £m	2025 £m	2024 £m	2023 £m
Included within operating costs									
Administration costs	**14**	13	9	**6**	7	8	**2**	2	2
Included within payroll costs									
Defined benefit plan costs:									
Current service cost	**45**	45	69	**68**	72	88	**25**	26	37
Past service cost – augmentations and redundancies	**1**	9	8	**—**	—	—	**—**	—	—
Gains on settlement	**—**	—	—	**—**	(30)	(45)	**—**	—	—
	46	54	77	**68**	42	43	**25**	26	37
Included within finance income and costs									
Net interest income	**(68)**	(84)	(64)	**(19)**	(13)	(21)	**(11)**	(3)	—
Total included in income statement	**(8)**	(17)	22	**55**	36	30	**16**	25	39
Exchange adjustments	**—**	—	—	**(10)**	(5)	36	**(10)**	(1)	5
Remeasurement (losses)/gains of pension assets and post-retirement benefit obligations	**(257)**	(474)	(1,183)	**106**	99	(242)	**122**	157	61
Adjustments for restrictions on the defined benefit asset	**—**	—	—	**—**	—	—	**(77)**	—	—
Total included in the statement of other comprehensive income	**(257)**	(474)	(1,183)	**96**	94	(206)	**35**	156	66

Notes to the consolidated financial statements continued

25. Pensions and other post-retirement benefits continued

Reconciliation of the net defined benefit asset

	UK pensions		US pensions		US other post-retirement benefits		Total	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
Opening net defined benefit asset	**1,261**	1,614	**408**	324	**145**	13	**1,814**	1,951
Income/(cost) recognised in the income statement (including discontinued operations)	**8**	17	**(55)**	(36)	**(16)**	(25)	**(63)**	(44)
Remeasurement and foreign exchange effects recognised in the statement of other comprehensive income	**(257)**	(474)	**96**	94	**112**	156	**(49)**	(224)
Employer contributions	**112**	118	**27**	26	**143**[1]	21	**282**	165
Other movements	**4**	3	**–**	–	**5**	(20)	**9**	(17)
Reclassification to held for sale (note 10)	**–**	(17)	**–**	–	**–**	–	**–**	(17)
	1,128	1,261	**476**	408	**389**	145	**1,993**	1,814
Restrictions on the defined benefit asset	**–**	–	**–**	–	**(77)**	–	**(77)**	–
Closing net defined benefit asset	**1,128**	1,261	**476**	408	**312**	145	**1,916**	1,814

1. In addition to the regular employer contributions that are described above, the Company made a one-off contribution of £133 million to the OPEB schemes in the current year.

Changes in the present value of defined benefit obligations (including unfunded obligations)

The table below shows the movement in defined benefit obligations across our DB plans over the year.

	UK pensions		US pensions		US other post-retirement benefits		Total	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
Opening defined benefit obligations	**(10,521)**	(10,964)	**(4,912)**	(5,736)	**(2,434)**	(2,526)	**(17,867)**	(19,226)
Current service cost	**(45)**	(45)	**(68)**	(72)	**(25)**	(26)	**(138)**	(143)
Interest cost	**(533)**	(536)	**(246)**	(258)	**(120)**	(117)	**(899)**	(911)
Actuarial (losses)/gains – experience	**(41)**	(2)	**(4)**	(34)	**116**	73	**71**	37
Actuarial gains/(losses) – demographic assumptions[1]	**(74)**	98	**(22)**	12	**19**	(4)	**(77)**	106
Actuarial gains/(losses) – financial assumptions	**989**	165	**156**	190	**36**	(7)	**1,181**	348
Past service cost – augmentations and redundancies	**(1)**	(9)	**–**	–	**–**	–	**(1)**	(9)
Liabilities extinguished on settlements	**–**	–	**–**	543	**–**	–	**–**	543
Medicare subsidy received	**–**	–	**–**	–	**(31)**	(26)	**(31)**	(26)
Employee contributions	**(5)**	(10)	**–**	–	**–**	–	**(5)**	(10)
Benefits paid	**756**	710	**282**	312	**165**	152	**1,203**	1,174
Exchange adjustments	**–**	–	**110**	131	**52**	58	**162**	189
Reclassification from other post-employment liabilities	**–**	–	**–**	–	**–**	(11)	**–**	(11)
Reclassification to held for sale (note 10)	**–**	72	**–**	–	**–**	–	**–**	72
Closing defined benefit obligations	**(9,475)**	(10,521)	**(4,704)**	(4,912)	**(2,222)**	(2,434)	**(16,401)**	(17,867)

1. For the year ended 31 March 2025 this included actuarial losses of £0.2 billion resulting from the purchase of a bulk annuity policy with Aviva.

Changes in the value of plan assets

The table below shows the movement in pension assets across our DB plans over the year.

	UK pensions		US pensions		US other post-retirement benefits		Total	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
Opening fair value of plan assets	**11,782**	12,578	**5,320**	6,060	**2,631**	2,608	**19,733**	21,246
Interest income	**601**	620	**265**	271	**131**	120	**997**	1,011
Return on plan assets (less than)/in excess of interest[1]	**(1,131)**	(735)	**(24)**	(69)	**(49)**	95	**(1,204)**	(709)
Administration costs	**(14)**	(13)	**(6)**	(7)	**(2)**	(2)	**(22)**	(22)
Assets distributed on settlements	**–**	–	**–**	(513)	**–**	–	**–**	(513)
Employer contributions	**112**	118	**27**	26	**143**	21	**282**	165
Employee contributions	**5**	10	**–**	–	**–**	–	**5**	10
Benefits paid	**(752)**	(707)	**(282)**	(312)	**(134)**	(152)	**(1,168)**	(1,171)
Exchange adjustments	**–**	–	**(120)**	(136)	**(62)**	(59)	**(182)**	(195)
Reclassification to held for sale (note 10)	**–**	(89)	**–**	–	**–**	–	**–**	(89)
Closing fair value of plan assets	**10,603**	11,782	**5,180**	5,320	**2,658**	2,631	**18,441**	19,733
Actual return on plan assets	**(530)**	(115)	**241**	202	**82**	215	**(207)**	302
Expected contributions to plans in the following year	**89**	108	**19**	28	**–**	15	**108**	151

1. For the year ended 31 March 2025 this included actuarial losses of £0.2 billion resulting from the purchase of a bulk annuity policy with Aviva.

25. Pensions and other post-retirement benefits continued

Asset allocations

The allocation of assets by asset class is set out below. Within these asset allocations there is significant diversification across regions, asset managers, currencies and bond categories.

UK pensions

	2025			2024			2023		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Equities	716	123	839	576	153	729	475	179	654
Corporate bonds	1,338	(1)	1,337	1,910	—	1,910	1,892	—	1,892
Government securities and liability-driven investments	—	3,938	3,938	—	5,259	5,259	762	4,906	5,668
Property[1]	—	451	451	—	679	679	23	860	883
Diversified alternatives	381	428	809	669	572	1,241	708	680	1,388
Bulk annuity policies	—	3,239	3,239	—	2,060	2,060	—	2,126	2,126
Longevity swap	—	—	—	—	(94)	(94)	—	(88)	(88)
Cash and cash equivalents	1	—	1	3	—	3	8	—	8
Other (including net current assets and liabilities)	—	(11)	(11)	—	(5)	(5)	59	(12)	47
	2,436	8,167	10,603[2]	3,158	8,624	11,782[2]	3,927	8,651	12,578[2]

1. The allocation in property includes £294 million (2024: £288 million, 2023: £304 million) of investments in forestry funds.
2. The fair value of plan assets set out above includes employer-related investment exposure of £nil (2024: £44 million, 2023: £23 million). The investment strategies for some of the DB plans use repurchase agreements to increase market exposure of their liability-driven investments, with the fair value of these instruments totalling approximately £2.9 billion at 31 March 2025 (2024: £2.7 billion, 2023: £3.4 billion).

US pensions

	2025			2024			2023		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Equities	—	887	887	99	1,224	1,323	154	1,346	1,500
Corporate bonds	1,955	401	2,356	1,987	403	2,390	2,147	528	2,675
Government securities	737	467	1,204	360	444	804	410	514	924
Property	—	196	196	—	237	237	—	299	299
Diversified alternatives	—	384	384	54	502	556	85	550	635
Cash and cash equivalents	152	—	152	9	—	9	16	—	16
Other (including net current assets and liabilities)	(2)	3	1	1	—	1	7	4	11
	2,842	2,338	5,180	2,510	2,810	5,320	2,819	3,241	6,060

US other post-retirement benefits

	2025			2024			2023		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Equities	31	522	553	37	524	561	74	510	584
Corporate bonds	1,350	47	1,397	1,351	46	1,397	1,332	2	1,334
Government securities	441	1	442	410	1	411	431	2	433
Diversified alternatives	103	—	103	92	9	101	100	9	109
Other (including insurance contracts)	—	163	163	—	161	161	1	147	148
	1,925	733	2,658	1,890	741	2,631	1,938	670	2,608

Main defined benefit risks

National Grid underwrites the financial and demographic risks associated with the Group's DB plans. Although the governing bodies have sole responsibility for setting investment strategies and managing risks, National Grid closely works with and supports the governing bodies of each plan, to assist them in mitigating the risks associated with their plans and to ensure that the plans are funded to meet their obligations.

Notes to the consolidated financial statements continued

25. Pensions and other post-retirement benefits continued

Main defined benefit risks continued

The most significant risks associated with the DB plans are as follows:

Main risks	Description and mitigation
Investment risk	The plans invest in a variety of asset classes, with actual returns likely to differ from the underlying discount rate adopted, impacting on the funding position of the plan through the net balance sheet asset or liability. Each plan seeks to balance the level of investment return required with the risk that it can afford to take, to design the most appropriate investment portfolio.
Changes in bond yields	Liabilities will fluctuate as yields change. Volatility of the net balance sheet asset or liability is controlled through liability-matching strategies. The investment strategies allow for the use of synthetic as well as physical assets to be used to hedge interest rate risk.
Inflation risk	Changes in inflation will affect current and future pensions but are partially mitigated through investing in inflation-matching assets and hedging instruments as well as bulk annuity policies. The investment strategies allow for the use of synthetic as well as physical assets to be used to hedge inflation risk.
Member longevity	Improvements in life expectancy will lead to pension payments being paid for longer than expected and benefits ultimately being more expensive. This risk has been partly mitigated by the investment in bulk annuity policies for NGEG of ESPS and two buy-in policies for Section A of NGUKPS.
Counterparty risk	This is managed by having a diverse range of counterparties and through having a strong collateralisation process. Measurement and management of counterparty risk is delegated to the relevant investment managers. For our bulk annuity policies, various termination provisions were included in the contracts, managing our exposure to counterparty risk. The insurers' operational performance and financial strength are monitored on a regular basis.
Default risk	Debt investments are predominantly made in regulated markets in assets considered to be of investment grade. Where investments are made either in non-investment grade assets or outside of regulated markets, investment levels are kept to prudent levels and subject to agreed ranges, to control the risk.
Liquidity risk	The pension plans hold sufficient cash to meet benefit requirements, with other investments being held in liquid or realisable assets to meet unexpected cash flow requirements. These could include collateral calls relating to the plans' liability-matching assets which could result from extreme market movements. Should the plans not have sufficient liquidity to meet cash flow requirements, they could be forced to take sub-optimal investment decisions such as selling assets at a reduced price. The plans do not borrow money, or act as guarantor, to provide liquidity to other parties (unless it is temporary).
Currency risk	Fluctuations in the value of foreign denominated assets due to exposure to currency exchange rates are managed through currency hedging overlay and currency hedging carried out by some of the investment managers.

In June 2023, the UK High Court issued a ruling in the case of Virgin Media Limited versus NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. A subsequent appeal was dismissed in July 2024 by the Court of Appeal. The Group has performed its review of past significant changes made to its UK defined benefit pension arrangements and it has concluded that there is no financial impact from the ruling of the case.

Investment strategies

The Trustees and RPC, after taking advice from professional investment advisors and in consultation with National Grid, set their key principles, including expected returns, risk and liquidity requirements. They formulate an investment strategy to manage risk through diversification, taking into account expected contributions, maturity of the pension liabilities and, in the UK, the strength of the covenant. These strategies allocate investments between return-seeking assets such as equities and property, and liability-matching assets such as bulk annuity policies, government securities and corporate bonds which are intended to protect the funding position.

The approximate investment allocations for our plans at 31 March 2025 are as follows:

	UK pensions %	US pensions %	US other post-retirement benefits %
Return-seeking assets	20	28	31
Liability-matching assets	80	72	69

The governing bodies generally delegate responsibility for the selection of specific bonds, securities and other investments to appointed investment managers, who are selected based on the required skills, expertise in those markets, process and financial security to manage the investments. Their performance is regularly reviewed against measurable objectives, consistent with each pension plan's long-term objectives and accepted risk levels.

In the UK, each of our pension plans has Responsible Investment (RI) Policies, which consider ESG factors and generally incorporate the six UN-backed Principles for Responsible Investment (UNPRI). While each Trustee board understands its fiduciary responsibility to maximise return on investments based on an appropriate level of risk, they each also recognise that ESG factors can be material to financial outcomes and can have a potential impact on the quality and sustainability of long-term investment returns. The principal defined contribution arrangement in the UK embeds ESG factors in the investment options offered to members. As well as offering a range of self-select ethical funds, it directly incorporates its Climate Impact Pledge into the default investment options, which act to align the funds to a carbon net zero future.

While in the US there is no regulatory requirement to have ESG-specific principles embedded in investment policies, our investment managers consider ESG principles to inform their decision-making process. US DC plan members can access ESG investment funds through the mutual fund brokerage window.

26. Provisions

Provisions are recognised where a legal or constructive obligation exists at the reporting date, as a result of a past event, where the outflow of economic benefit is probable and where the amount of the obligation can be reliably estimated.

Provisions are recognised for the costs of environmental remediation; decommissioning costs for certain assets that we are required to remove at the end of their useful economic lives; restructuring costs; and for certain other situations where the above thresholds are met.

Long-term provisions are measured based on management's best estimates of the likely cash flows, discounted at an appropriate discount rate. The unwinding of the discount is included within the income statement within finance costs. Short-term provisions are measured at the expected cash outflow and are not discounted.

	Environmental £m	Decommissioning £m	Other £m	Total provisions £m
At 1 April 2023	1,891	297	454	2,642
Exchange adjustments	(37)	(2)	(8)	(47)
Additions[1]	600	34	138	772
Unused amounts reversed	(18)	(7)	(100)	(125)
Adjustment for change in discount rate	4	29	—	33
Unwinding of discount	85	11	6	102
Utilised	(107)	(9)	(149)	(265)
Reclassification to held for sale (note 10)	—	—	(3)	(3)
At 31 March 2024	2,418	353	338	3,109
Exchange adjustments	(47)	(5)	(1)	(53)
Additions	60	45	211	316
Unused amounts reversed	(126)	(8)	(16)	(150)
Adjustment for change in discount rate[2]	(82)	7	—	(75)
Unwinding of discount	105	13	5	123
Utilised	(139)	(6)	(58)	(203)
Reclassification to held for sale (note 10)	(17)	—	(1)	(18)
At 31 March 2025	**2,172**	**399**	**478**	**3,049**

	2025 £m	2024 £m
Current	**357**	298
Non-current	**2,692**	2,811
	3,049	3,109

1. Included within prior year additions was a £496 million increase in provision related to changes in the scope of work required on the Group's clean-up operations on the Gowanus Canal and nearby legacy MGP sites in Brooklyn, New York. These arose from remediation design changes as communicated in the prior year by US environmental agencies. See note 5 for more information.
2. In the year, US environmental provisions decreased by £82 million as a result of the change in the real discount rate from 1.5% to 2.0% (see note 5 details).

Notes to the consolidated financial statements continued

26. Provisions continued

Environmental provisions

We recognise environmental provisions for the estimated restoration and remediation costs relating to a number of sites owned and managed by subsidiary undertakings, together with certain US sites that National Grid no longer owns. The environmental provision is as follows:

	2025			2024		
	Discounted £m	Real undiscounted £m	Real discount rate	Discounted £m	Real undiscounted £m	Real discount rate
UK sites	107	115	1.0%	108	118	1.0%
US sites	2,065	2,440	2.0%	2,310	2,579	1.5%
	2,172	2,555		2,418	2,697	

Remediation expenditure in the US is expected to be incurred until 2082, of which the majority relates to three Superfund sites (being sites where hazardous substances are present as a result of the historical operations of manufacturing gas plants previously owned or operated by the Group or its predecessor companies in Brooklyn, New York). The weighted average duration of the forecasted cash flows is 10 years. Under the terms of our rate plans, we are entitled to recovery of environmental clean-up costs from rate payers.

Remediation expenditure in the UK relates to old gas manufacturing sites and also to electricity transmission sites. Cash flows are expected to be incurred until 2070.

The real undiscounted amount is management's best estimate of the actual cash flows that will be required. The provisions are calculated based on these cash flows discounted at the appropriate real discount rate for the jurisdiction, which is determined using the relevant government bond yield curve and the weighted average life of the provisions.

Numerous estimation uncertainties affect the calculation of these provisions, including the impact of and possibility of changes to regulatory requirements, the accuracy of site surveys, unexpected contaminants, the scope of remediation work, transportation costs, the impact of alternative technologies, the expected timing, cost and duration of cash flows, and changes in the real discount rate. These provisions incorporate our best estimate of the financial effect of these uncertainties, but future changes in any of the assumptions could materially impact the calculation of the provision.

Changes in the provision arising from revised estimates, discount rates or changes in the expected timing of expenditure are recognised in the income statement. A sensitivity of the impact of changes to the US environmental provision real discount rate and changes in estimated future cash flows is shown in note 35. The facts and circumstances relating to particular cases are evaluated regularly in determining whether an environmental provision should be revised (see note 30).

Decommissioning provisions

We recognise provisions for decommissioning costs for various assets we are required to remove at the end of their lives, including the safe removal of asbestos for certain of our generation units and the restoration of seabeds in respect of our interconnectors. Provisions to decommission significant portions of our regulated transmission and distribution assets are not recognised where no legal obligations exist and where a realistic alternative exists to incurring costs to decommission the assets at the end of their lives.

An initial estimate of decommissioning costs attributable to property, plant and equipment is recorded as part of the cost of the related property, plant and equipment. Changes in the provision arising from revised estimates, discount rates or changes in the expected timing of expenditure that relates to property, plant and equipment are recorded as adjustments to their carrying value and depreciated prospectively over their remaining estimated useful economic lives. Expenditure is expected to be incurred until 2109.

Other provisions

Included within other provisions at 31 March 2025 are the following amounts:
- £172 million (2024: £170 million) of estimated liabilities in respect of past events insured by subsidiary undertakings and policy excesses incurred by operating companies. Estimates are based on experience from previous years. We expect that cash flows will be incurred until 2041; and
- £159 million (2024: £76 million) of estimated liabilities in respect of interconnector excess revenues which will be repayable in future reporting periods in accordance with the cap and floor regime agreed with Ofgem (see note 3(f)). These estimates are based on the respective interconnectors' performance against their cumulative caps and cash outflows will be required to settle these liabilities by the financial year ending 31 March 2028.

27. Share capital

Ordinary share capital represents the total number of shares issued which are publicly traded. We also disclose the number of treasury shares the Company holds, which are shares that the Company has bought itself, predominantly to actively manage scrip issuances and settle employee share option and reward plan liabilities.

Share capital is accounted for as an equity instrument. An equity instrument is any contract that includes a residual interest in the consolidated assets of the Company after deducting all its liabilities and is recorded at the proceeds received, net of direct issue costs, with an amount equal to the nominal amount of the shares issued included in the share capital account and the balance recorded in the share premium account.

	Allotted, called-up and fully paid	
	Shares million	Nominal value £m
At 1 April 2023	3,930	488
Issued during the year in lieu of dividends[1]	37	5
At 31 March 2024	3,967	493
Rights Issue	1,085	135
Issued during the year in lieu of dividends[1]	81	10
At 31 March 2025	**5,133**	**638**

1. The issue of shares under the scrip dividend programme is considered to be a bonus issue under the terms of the Companies Act 2006, and the nominal value of the shares is charged to the share premium account.

The share capital of the Company consists of ordinary shares of $12^{204}/_{473}$ pence nominal value each including ADSs. The ordinary shares and ADSs (each of which represents five ordinary shares) allow holders to receive dividends and vote at general meetings of the Company. The Company holds treasury shares but may not exercise any rights over these shares, including the entitlement to vote or receive dividends. There are no restrictions on the transfer or sale of ordinary shares.

In line with the provisions of the Companies Act 2006, the Company has amended its Articles of Association and ceased to have authorised share capital.

The Company conducts a share forfeiture programme following the completion of a tracing and notification exercise to any shareholders who have not had contact with the Company over the past 12 years, in accordance with the provisions set out in the Company's Articles of Association. Under the share forfeiture programme, the shares and dividends associated with shares of untraced members have been forfeited, with the resulting proceeds transferred to the Company to use in line with the Company's strategy in relation to corporate responsibility. During the financial year, the Company received £5 million (2024: £2 million) of proceeds from the sale of untraced shares and derecognised £3 million (2024: £5 million) of liabilities related to unclaimed dividends, which are reflected in share premium and the income statement respectively.

Rights Issue

In June 2024, the Company completed a Rights Issue to support the future capital investment plans of the Group. The Company raised £6,839 million (net of expenses of £162 million) through the issue of 1,085 million new ordinary shares at 645 pence each on the basis of 7 new ordinary shares for every 24 existing ordinary shares. The issue price represented a discount of 33% to the closing ex-dividend share price on 23 May 2024, the announcement date of the Rights Issue. The structure of the Rights Issue gave rise to a merger reserve, representing the net proceeds of the Rights Issue less the nominal value of the new shares issued. Following the receipt of the cash proceeds through the structure, the excess of the net proceeds over the nominal value of the share capital issued was considered realised and has been transferred from the merger reserve to retained earnings.

The discount element inherent in the Rights Issue is treated as a bonus issue of shares. Basic and diluted earnings per share figures have been restated for the comparative period, by adjusting the weighted average number of shares for a factor of 1.0811 to reflect the bonus element of the Rights Issue, in accordance with IAS 33 Earnings per Share (note 8). For comparability, dividends per share are also restated after taking account of the bonus element of the Rights Issue, in note 9.

Treasury shares

At 31 March 2025, the Company held 235 million (2024: 247 million) of its own shares. The market value of these shares as at 31 March 2025 was £2,377 million (2024: £2,637 million).

For the benefit of employees and in connection with the operation of the Company's various share plans, the Company made the following transactions in respect of its own shares during the year ended 31 March 2025:

i. National Grid settles share awards under its Long-Term Incentive Plan and the Save As You Earn scheme, by the transfer of treasury shares to its employee share trusts. During the year, 9 million (2024: 4 million) treasury shares were gifted to National Grid Employee Share Trusts and 3 million (2024: 3 million) treasury shares were reissued in relation to employee share schemes, in total representing approximately 0.2% (2024: 0.2%) of the ordinary shares in issue as at 31 March 2025. The nominal value of these shares was £1 million (2024: £1 million) and the total proceeds received were £18 million (2024: £21 million).

ii. During the year, the Company made payments totalling £11 million (2024: £6 million) to National Grid Employee Share Trusts to enable the Trustees to make purchases of National Grid plc shares to settle share awards in relation to all employee share plans and discretionary reward plans. The cost of such purchases is deducted from retained earnings in the period that the transaction occurs.

The maximum number of ordinary shares held in Treasury during the year was 247 million (2024: 254 million), representing approximately 4.8% (2024: 6.4%) of the ordinary shares in issue as at 31 March 2025 and having a nominal value of £31 million (2024: £32 million).

Notes to the consolidated financial statements continued

28. Other equity reserves

Other equity reserves are different categories of equity as required by accounting standards and represent the impact of a number of our historical transactions or fair value movements on certain financial instruments that the Company holds.

Other equity reserves comprise the translation reserve (see note 1C), cash flow hedge reserve and the cost of hedging reserve (see note 32), debt instruments at fair value through other comprehensive income reserve (FVOCI debt) (see note 15), the capital redemption reserve and the merger reserve.

The merger reserve arose as a result of the application of merger accounting principles under the then prevailing UK GAAP, which under IFRS 1 was retained for mergers that occurred prior to the IFRS transition date. Under merger accounting principles, the difference between the carrying amount of the capital structure of the acquiring vehicle and that of the acquired business was treated as a merger difference and included within reserves. The merger reserve represents the difference between the carrying value of subsidiary undertaking investments and their respective capital structures following the Lattice demerger from BG Group plc and the 1999 Lattice refinancing.

The cash flow hedge reserve will either amortise as the committed future cash flows from borrowings are paid, be capitalised in fixed assets, or amortise as committed future cash flows from revenue are received (as described in note 32). See note 15 for further detail on FVOCI debt and note 32 in respect of cost of hedging reserve.

As the amounts included in other equity reserves are not attributable to any of the other classes of equity presented, they have been disclosed as a separate classification of equity.

	Translation £m	Cash flow hedge £m	Cost of hedging £m	FVOCI debt £m	Capital redemption £m	Merger £m	Total £m
At 1 April 2022	594	(85)	(29)	103	19	(5,165)	(4,563)
Exchange adjustments[1]	882	—	—	—	—	—	882
Exchange differences reclassified to the consolidated income statement on disposal	(170)	—	—	—	—	—	(170)
Net gains/(losses) taken to equity	—	142	(12)	(25)	—	—	105
Share of net gains of associates taken to equity	—	1	—	—	—	—	1
Transferred to profit or loss	—	(136)	—	—	—	—	(136)
Net gains in respect of cash flow hedging of capital expenditure	—	10	—	—	—	—	10
Tax	—	2	3	1	—	—	6
Cash flow hedges transferred to the statement of financial position, net of tax	—	5	—	—	—	—	5
At 1 April 2023	1,306	(61)	(38)	79	19	(5,165)	(3,860)
Exchange adjustments[1]	(335)	—	—	—	—	—	(335)
Net gains taken to equity	—	16	37	34	—	—	87
Transferred to profit or loss	—	224	(11)	—	—	—	213
Net losses in respect of cash flow hedging of capital expenditure	—	(37)	—	—	—	—	(37)
Tax	—	(50)	(6)	(4)	—	—	(60)
Cash flow hedges transferred to the statement of financial position, net of tax	—	2	—	—	—	—	2
At 1 April 2024	971	94	(18)	109	19	(5,165)	(3,990)
Exchange adjustments[1]	(352)	—	—	—	—	—	(352)
Net gains/(losses) taken to equity	—	30	(46)	(12)	—	—	(28)
Transferred to profit or loss	—	188	(6)	—	—	—	182
Rights Issue[2]	—	—	—	—	—	6,704	6,704
Transfer to retained earnings	—	—	—	—	—	(6,704)	(6,704)
Net losses in respect of cash flow hedging of capital expenditure	—	(16)	—	—	—	—	(16)
Tax	—	(50)	13	3	—	—	(34)
Cash flow hedges transferred to the statement of financial position, net of tax	—	5	—	—	—	—	5
At 31 March 2025	**619**	**251**	**(57)**	**100**	**19**	**(5,165)**	**(4,233)**

1. The exchange adjustments recorded in the translation reserve comprise a loss of £408 million (2024: loss of £397 million; 2023: gain of £1,080 million) relating to the translation of foreign operations, offset by a gain of £56 million (2024: gain of £62 million; 2023: loss of £198 million) relating to borrowings, cross-currency swaps and foreign exchange forward contracts used to hedge the net investment in non sterling-denominated subsidiaries.
2. For details of the Rights Issue and subsequent transfer to retained earnings see note 27.

29. Net debt

We define net debt as the amount of borrowings and financing derivatives less cash and current financial investments.

(a) Composition of net debt

Net debt is comprised as follows:

	2025 £m	2024 £m	2023 £m
Cash and cash equivalents (see note 20)	**1,178**	559	163
Current financial investments (see note 15)	**5,753**	3,699	2,605
Borrowings (see note 21)	**(47,539)**	(47,072)	(42,985)
Financing derivatives[1] (see note 17)	**(763)**	(793)	(756)
	(41,371)	(43,607)	(40,973)

1. The financing derivatives balance included in net debt excludes the commodity derivatives (see note 17).

(b) Analysis of changes in net debt

	Notes	Borrowings £m	Financing derivatives used to hedge debt £m	Total liabilities from financing activities £m	Cash and cash equivalents £m	Financial investments £m	Other financing derivatives £m	Total[1] £m
At 1 April 2024		(47,072)	(764)	(47,836)	559	3,699	(29)	(43,607)
Net increase in cash and cash equivalents		—	—	—	765	—	—	765
Included within financing cash flows:								
Proceeds received from loans		(3,237)	—	(3,237)	—	—	—	(3,237)
Repayment of loans		2,861	—	2,861	—	—	—	2,861
Payments of lease liabilities		130	—	130	—	—	—	130
Net movements in short-term borrowings		(925)	—	(925)	—	—	—	(925)
Cash inflows on derivatives		—	(62)	(62)	—	—	—	(62)
Cash outflows on derivatives		—	106	106	—	—	—	106
Interest paid		1,608	312	1,920	—	—	—	1,920
Non-net debt financing cash flows		(8)	—	(8)	—	—	—	(8)
Included within investing cash flows:								
Net movements in short-term financial investments		—	—	—	—	2,606	—	2,606
Cash inflows on derivatives		—	—	—	—	—	(11)	(11)
Cash outflows on derivatives		—	—	—	—	—	6	6
Derivative cash flows included in capital expenditure		—	—	—	—	—	9	9
Interest received		—	—	—	—	(332)	—	(332)
Derivative cash flows included in revenue		—	—	—	—	—	(8)	(8)
Fair value gains and losses		(26)	(30)	(56)	—	1	(7)	(62)
Foreign exchange movements		866	—	866	(23)	(25)	—	818
Interest (charges)/income	6	(1,663)	(295)	(1,958)	—	338	10	(1,610)
Other non-cash movements		(207)	—	(207)	—	—	—	(207)
Reclassification to held for sale[2]	10	134	—	134	(123)	(534)	—	(523)
At 31 March 2025		**(47,539)**	**(733)**	**(48,272)**	**1,178**	**5,753**	**(30)**	**(41,371)**
Balances at 31 March 2025 comprise:								
Non-current assets		—	340	340	—	—	16	356
Current assets		—	5	5	1,178	5,753	14	6,950
Current liabilities		(4,662)	(347)	(5,009)	—	—	(8)	(5,017)
Non-current liabilities		(42,877)	(731)	(43,608)	—	—	(52)	(43,660)
		(47,539)	**(733)**	**(48,272)**	**1,178**	**5,753**	**(30)**	**(41,371)**

1. Includes accrued interest of £477 million.
2. Reclassification to held for sale represents the closing net debt position of NG Renewables and Grain LNG and the disposal of the ESO (see note 10).

Notes to the consolidated financial statements continued

29. Net debt continued

	Notes	Borrowings £m	Financing derivatives used to hedge debt £m	Total liabilities from financing activities £m	Cash and cash equivalents £m	Financial investments £m	Other financing derivatives £m	Total[1] £m
At 1 April 2023		(42,985)	(793)	(43,778)	163	2,605	37	(40,973)
Net increase in cash and cash equivalents		—	—	—	427	—	—	427
Included within financing cash flows:								
Proceeds received from loans		(5,563)	—	(5,563)	—	—	—	(5,563)
Repayment of loans		1,701	—	1,701	—	—	—	1,701
Payments of lease liabilities		118	—	118	—	—	—	118
Net movements in short-term borrowings		(544)	—	(544)	—	—	—	(544)
Cash inflows on derivatives		—	(86)	(86)	—	—	—	(86)
Cash outflows on derivatives		—	58	58	—	—	—	58
Interest paid		1,330	297	1,627	—	—	—	1,627
Non-net debt financing cash flows		(18)	—	(18)	—	—	—	(18)
Included within investing cash flows:								
Net movements in short-term financial investments		—	—	—	—	1,141	—	1,141
Cash inflows on derivatives		—	—	—	—	—	(123)	(123)
Cash outflows on derivatives		—	—	—	—	—	—	—
Derivative cash flows included in capital expenditure		—	—	—	—	—	5	5
Interest received		—	—	—	—	(148)	—	(148)
Derivative cash flows included in revenue		—	—	—	—	—	(11)	(11)
Fair value gains and losses		(69)	40	(29)	—	4	60	35
Foreign exchange movements		718	—	718	(1)	(49)	—	668
Interest (charges)/income	6	(1,564)	(284)	(1,848)	—	152	7	(1,689)
Other non-cash movements		(209)	4	(205)	—	—	(4)	(209)
Reclassification to held for sale[2]		13	—	13	(30)	(6)	—	(23)
At 31 March 2024		**(47,072)**	**(764)**	**(47,836)**	**559**	**3,699**	**(29)**	**(43,607)**

1. Includes accrued interest of £490 million.
2. Reclassification to held for sale represents the closing net debt position of the ESO (see note 10).

	Notes	Borrowings £m	Financing derivatives used to hedge debt £m	Total liabilities from financing activities £m	Cash and cash equivalents[1] £m	Financial investments £m	Other financing derivatives £m	Total[2] £m
At 1 April 2022		(45,465)	(750)	(46,215)	204	3,145	57	(42,809)
Net decrease in cash and cash equivalents		—	—	—	(48)	—	—	(48)
Included within financing cash flows:								
Proceeds received from loans		(11,908)	—	(11,908)	—	—	—	(11,908)
Repayment of loans		15,260	—	15,260	—	—	—	15,260
Payments of lease liabilities		155	—	155	—	—	—	155
Net movements in short-term borrowings		511	—	511	—	—	—	511
Cash inflows on derivatives		—	(190)	(190)	—	—	—	(190)
Cash outflows on derivatives		—	118	118	—	—	—	118
Interest paid		1,277	153	1,430	—	—	—	1,430
Non-net debt financing cash flows		(27)	—	(27)	—	—	—	(27)
Included within investing cash flows:								
Net movements in short-term financial investments		—	—	—	—	(586)	—	(586)
Cash outflows on derivatives		—	—	—	—	—	362	362
Derivative cash outflow in relation to capital expenditure		—	—	—	—	—	12	12
Interest received		—	—	—	—	(65)	—	(65)
Fair value gains and losses		367	46	413	—	(18)	(394)	1
Foreign exchange movements		(1,311)	—	(1,311)	7	61	—	(1,243)
Interest (charges)/income	6	(1,658)	(170)	(1,828)	—	73	—	(1,755)
Other non-cash movements		(283)	—	(283)	—	—	—	(283)
Reclassification to held for sale[3]		97	—	97	—	(5)	—	92
At 31 March 2023		**(42,985)**	**(793)**	**(43,778)**	**163**	**2,605**	**37**	**(40,973)**

1. Cash and cash equivalents at the start of the year exclude the Group's bank overdraft as at 1 April 2023 of £22 million.
2. Includes accrued interest of £401 million.
3. Reclassification to held for sale represented the disposal of NECO, which was not classified as a discontinued operation.

30. Commitments and contingencies

Commitments are those amounts that we are contractually required to pay in the future as long as the other party meets its obligations. These commitments primarily relate to energy purchase agreements and contracts for the purchase of assets which, in many cases, extend over a long period of time. We also disclose any contingencies, which include guarantees that companies have given, where we pledge assets against current obligations that will remain for a specific period.

Contingent assets are disclosed where the Group concludes that an inflow of economic benefits is probable.

	2025 £m	2024 £m
Future capital expenditure		
Contracted for but not provided	**5,017**	3,329
Energy purchase commitments[1]		
Less than 1 year	**1,265**	1,244
In 1 to 2 years	**1,259**	982
In 2 to 3 years	**1,147**	1,062
In 3 to 4 years	**1,011**	941
In 4 to 5 years	**927**	866
More than 5 years	**8,271**	9,080
	13,880	14,175
Guarantees		
Guarantee of subleases for US properties (expire up to 2037)	**66**	67
Guarantees of certain obligations of Eastern Green Link Joint Operations (various expiry dates)	**2,296**	2,465
Guarantees of certain obligations of Grain LNG (expected expiry 2025)	**20**	32
Guarantees of certain obligations of National Grid North Sea Link Limited (various expiry dates)	**251**	271
Guarantees of certain obligations of St William Homes LLP (various expiry dates)	**25**	44
Guarantees of certain obligations of National Grid IFA 2 Limited (various expiry dates)	**100**	121
Guarantees of certain obligations of National Grid Viking Link Limited (expected expiry 2025)	**60**	243
Other guarantees and letters of credit (various expiry dates)	**334**	123
	3,152	3,366

1. Energy purchase commitments relate to contractual commitments to purchase electricity or gas that are used to satisfy physical delivery requirements to our customers or for energy that we use ourselves (i.e. normal purchase, sale or usage) and hence are accounted for as ordinary purchase contracts (see note 32(f)). Details of commodity contract derivatives that do not meet the normal purchase, sale or usage criteria, and hence are accounted for as derivative contracts, are shown in note 17(b).

Through the ordinary course of our operations, we are party to various litigation, claims and investigations. We do not expect the ultimate resolution of any of these proceedings to have a material adverse effect on our results of operations, cash flows or financial position.

Contingent liabilities

The Group is subject to national and local laws governing the clean-up of sites used previously in its operations. These laws and associated regulations require the Group to take future actions to remediate the effects on the environment of the release of chemicals and other substances. Such contingencies may exist for various sites, including manufactured gas plants, power stations and water courses that were impacted by those activities. The ultimate costs of these clean-ups involve estimation uncertainty as work may be impacted by changing regulations and additional work may be required once sites have been fully surveyed. The estimated clean-up costs have been provided for in note 26 based upon management's best estimate of the likely future cash flows. While the amounts of future possible costs that are not provided for could be material to the Group's results in the period when they are recognised, it is not possible to reliably estimate the amounts involved at this time. As environmental remediation costs are recoverable through the Group's rate-setting processes, the Group does not expect these costs to have a material impact on its liquidity.

Notes to the consolidated financial statements continued

31. Related party transactions

Related parties include joint ventures, associates, investments and key management personnel.

The following significant transactions with related parties were in the normal course of business. Amounts receivable from and payable to related parties are due on normal commercial terms.

	2025 £m	2024 £m	2023 £m
Sales: Goods and services supplied to joint ventures[1]	**153**	221	100
Sales: Goods and services supplied to associates	**1**	1	1
Sales: Goods and services supplied to subsidiary of an associate[1]	**51**	70	6
Purchases: Goods and services received from joint ventures	**—**	6	—
Purchases: Goods and services received from associates[2]	**29**	4	31
Purchases: Goods and services received from subsidiaries of an associate	**—**	1	—
Interest received from joint ventures	**6**	—	—
Interest paid to joint ventures	**2**	—	—
Receivables from joint ventures[3]	**323**	80	58
Receivables from associates	**1**	—	—
Receivables from subsidiaries of an associate	**—**	8	8
Payables to joint ventures	**15**	—	19
Payables to associates	**—**	1	1
Dividends received from joint ventures[4]	**62**	152	150
Dividends received from associates[5]	**39**	117	32

1. During the year, £114 million of sales were made to Emerald Energy Venture LLC (2024: £126 million; 2023: £76 million), £12 million (2024: £71 million; 2023: £nil) of sales were made to Nemo Link Limited and £51 million (2024: £70 million) of sales were made to National Gas Transmission Plc up until its disposal.
2. Includes decommissioning expense in relation to associates.
3. Amounts receivable from joint ventures include £320 million (2024: £77 million; 2023: £55 million) from Emerald Energy Venture LLC.
4. Includes dividends of £22 million (2024: £116 million; 2023: £84 million) received from BritNed Development Limited and £26 million (2024: £17 million; 2023: £47 million) from Nemo Link Limited.
5. Includes dividends received in the period up until disposal of £22 million (2024: £102 million) from GasT TopCo Limited and £17 million (2024: £12 million; 2023: £12 million) from New York Transco LLC.

Details of investments in principal subsidiary undertakings, joint ventures and associates are disclosed in note 34, and information relating to pension fund arrangements is disclosed in note 25. For details of Directors' and key management remuneration, refer to the Directors' Remuneration Report on pages 121 – 149 and note 4(c).

32. Financial risk management

Our activities expose us to a variety of financial risks, including credit risk, liquidity risk, capital risk, currency risk, interest rate risk, inflation risk and commodity price risk. Our risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential volatility of financial performance from these risks. We use financial instruments, including derivative financial instruments, to manage these risks.

Risk management related to financing activities is carried out by a central treasury department under policies approved by the Finance Committee of the Board. The objective of the treasury department is to manage funding and liquidity requirements, including managing associated financial risks, to within acceptable boundaries. The Finance Committee provides written principles for overall risk management and written policies covering the following specific areas: foreign exchange risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Finance Committee has delegated authority to administer the commodity price risk policy and credit policy for US-based commodity transactions to the Energy Procurement Risk Management Committee and the National Grid USA Board of Directors. Details of key activities in the current year are set out in the Finance Committee report on page 120.

We have exposure to the following risks, which are described in more detail below:
- credit risk;
- liquidity risk;
- currency risk;
- interest rate risk;
- commodity price risk;
- valuation risk; and
- capital risk.

Where appropriate, derivatives and other financial instruments used for hedging currency and interest rate risk exposures are formally designated as fair value, cash flow or net investment hedges as defined in IFRS 9. Hedge accounting allows the timing of the profit or loss impact of qualifying hedging instruments to be recognised in the same reporting period as the corresponding impact of hedged exposures. To qualify for hedge accounting, documentation is prepared specifying the risk management objective and strategy, the component transactions and methodology used for measurement of effectiveness.

32. Financial risk management continued

Hedge accounting relationships are designated in line with risk management activities further described below. The categories of hedging entered into are as follows:
- currency risk arising from our forecast foreign currency transactions (capital expenditure or revenues) is designated in cash flow hedges;
- currency risk arising from our net investments in foreign operations is designated in net investment hedges; and
- currency and interest rate risk arising from borrowings are designated in cash flow or fair value hedges.

Critical terms of hedging instruments and hedged items are transacted to match on a 1:1 ratio by notional values. Hedge ineffectiveness can nonetheless arise from inherent differences between derivatives and non-derivative instruments and other market factors, including credit, correlations, supply and demand, and market volatilities. Ineffectiveness is recognised in the remeasurements component of finance income and costs (see note 6). Hedge accounting is discontinued when a hedging relationship no longer qualifies for hedge accounting.

Certain hedging instrument components are treated separately as costs of hedging with the gains and losses deferred in a component of other equity reserves and released systematically into profit or loss to correspond with the timing and impact of hedged exposures, or released in full to finance costs upon an early discontinuation of a hedging relationship.

Refer to sections (c) currency risk and (d) interest rate risk below for further details on hedge accounting.

(a) Credit risk

We are exposed to the risk of loss resulting from counterparties' default on their commitments, including failure to pay or make a delivery on a contract. This risk is inherent in our commercial business activities. Exposure arises from derivative financial instruments, deposits with banks and financial institutions, trade receivables and committed transactions with wholesale and retail customers.

Treasury credit risk

Counterparty risk arises from the investment of surplus funds and from the use of derivative financial instruments. As at 31 March 2025, the following limits were in place for investments and derivative financial instruments held with banks and financial institutions:

	Maximum limit £m	Utilisation of maximum limit £m	Long-term limit £m	Utilisation of long-term limit £m
Triple 'A' G7 sovereign entities (AAA)	2,818	—	2,114	—
Triple 'A' vehicles (AAA)	500	453	—	—
Triple 'A' range institutions and non-G7 sovereign entities (AAA)	2,562	—	1,922	—
Double 'A+' G7 sovereign entities (AA+)	2,562	—	1,922	—
Double 'A' range institutions (AA)	1,537 to 2,050	0 to 337	1,153 to 1,537	0 to 325
Single 'A' range institutions (A)	512 to 1,025	0 to 617	384 to 769	0 to 375

The maximum limit applies to all transactions, including long-term transactions. The long-term limit applies to transactions which mature in more than 12 months' time.

As at 31 March 2025 and 2024, we had a number of exposures to individual counterparties. In accordance with our treasury policies, counterparty credit exposure utilisations are monitored daily against the counterparty credit limits. Counterparty credit ratings and market conditions are reviewed continually, with limits being revised and utilisation adjusted, if appropriate. Management does not expect any significant losses from non-performance by these counterparties. Investments associated with insurance and employee benefit trusts, such as the investments held at FVOCI, sit outside of treasury credit risk and are managed to individual mandates aligned to their regulated purpose.

Commodity credit risk

The credit policy for UK- and US-based commodity transactions is owned by the Finance Committee to the Board, which establishes controls and procedures to determine, monitor and minimise the credit exposure to counterparties.

Wholesale and retail credit risk

Our principal commercial exposure is in the US, where we are required to supply electricity and gas under state regulations. Our policies and practices are designed to limit credit exposure by collecting security deposits prior to providing utility services, or after utility services have commenced if certain applicable regulatory requirements are met. Collection activities are managed on a daily basis. Sales to retail customers are usually settled in cash, cheques, electronic bank payments or by using major credit cards. We are committed to measuring, monitoring, minimising and recording counterparty credit risk in our wholesale business. The utilisation of credit limits is regularly monitored, and collateral is collected against these accounts when necessary.

In March 2020, the Group's US distribution business temporarily ceased certain customer cash collection activities in response to regulatory instructions and to changes in state-, federal- and city-level regulations and guidance, and actions to minimise risk to the Group's employees as a result of COVID-19. Customer termination activities also ceased in line with requests by relevant local authorities and this resulted in the recognition of additional expected credit losses, although cash collection and customer termination activities have subsequently resumed in both New England and New York (see note 19 for further details).

Notes to the consolidated financial statements continued

32. Financial risk management continued

(a) Credit risk continued

Offsetting financial assets and liabilities

The following tables set out our financial assets and liabilities which are subject to offset and to enforceable master netting arrangements or similar agreements. The tables show the amounts which are offset and reported net in the statement of financial position. Amounts which cannot be offset under IFRS, but which could be settled net under terms of master netting arrangements if certain conditions arise, and with collateral received or pledged, are presented to show National Grid's net exposure.

Financial assets and liabilities on different transactions would only be reported net in the balance sheet if the transactions were with the same counterparty, a currently enforceable legal right of offset exists and the cash flows were intended to be settled on a net basis.

Amounts which do not meet the criteria for offsetting on the statement of financial position, but could be settled net in certain circumstances, principally relate to derivative transactions under ISDA agreements, where each party has the option to settle amounts on a net basis in the event of default of the other party.

Commodity contract derivatives that have not been offset on the balance sheet may be settled net in certain circumstances under ISDA or North American Energy Standards Board (NAESB) agreements.

The Group has no offsetting arrangements in relation to bank account balances and bank overdrafts as at 31 March 2025 (2024: £nil).

The gross amounts offset for trade payables and receivables, which are subject to general terms and conditions, are insignificant.

				Related amounts available to be offset but not offset in statement of financial position		
At 31 March 2025	**Gross carrying amounts £m**	**Gross amounts offset £m**	**Net amount presented in statement of financial position £m**	**Financial instruments £m**	**Cash collateral received/ pledged £m**	**Net amount £m**
Assets						
Financing derivatives	**375**	**—**	**375**	**(296)**	**(12)**	**67**
Commodity contract derivatives	**107**	**—**	**107**	**(20)**	**—**	**87**
	482	**—**	**482**	**(316)**	**(12)**	**154**
Liabilities						
Financing derivatives	**(1,138)**	**—**	**(1,138)**	**296**	**462**	**(380)**
Commodity contract derivatives	**(64)**	**—**	**(64)**	**20**	**(7)**	**(51)**
	(1,202)	**—**	**(1,202)**	**316**	**455**	**(431)**
	(720)	**—**	**(720)**	**—**	**443**	**(277)**

				Related amounts available to be offset but not offset in statement of financial position		
At 31 March 2024	Gross carrying amounts £m	Gross amounts offset £m	Net amount presented in statement of financial position £m	Financial instruments £m	Cash collateral received/ pledged £m	Net amount £m
Assets						
Financing derivatives	333	—	333	(246)	(28)	59
Commodity contract derivatives	35	—	35	(27)	—	8
	368	—	368	(273)	(28)	67
Liabilities						
Financing derivatives	(1,126)	—	(1,126)	246	441	(439)
Commodity contract derivatives	(118)	—	(118)	27	11	(80)
	(1,244)	—	(1,244)	273	452	(519)
	(876)	—	(876)	—	424	(452)

32. Financial risk management continued

(b) Liquidity risk

Our policy is to determine our liquidity requirements by the use of both short-term and long-term cash flow forecasts. These forecasts are supplemented by a financial headroom analysis which is used to assess funding requirements for at least a 24-month period and maintain adequate liquidity for a continuous 12-month period.

We believe our contractual obligations, including those shown in commitments and contingencies in note 30, can be met from existing cash and investments, operating cash flows and other financing that we reasonably expect to be able to secure in the future, together with the use of committed facilities if required.

Our debt agreements and banking facilities contain covenants, including those relating to the periodic and timely provision of financial information by the issuing entity, restrictions on disposals and financial covenants, such as restrictions on the level of subsidiary indebtedness. Failure to comply with these covenants, or to obtain waivers of those requirements, could in some cases trigger a right, at the lender's discretion, to require repayment of some of our debt and may restrict our ability to draw upon our facilities or access the capital markets.

The following is a payment profile of our financial liabilities and derivatives:

At 31 March 2025	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	More than 3 years £m	Total £m
Non-derivative financial liabilities					
Borrowings, excluding lease liabilities	(4,111)	(3,159)	(2,404)	(36,381)	(46,055)
Interest payments on borrowings[1]	(1,552)	(1,497)	(1,397)	(16,707)	(21,153)
Lease liabilities	(143)	(131)	(117)	(671)	(1,062)
Other non-interest-bearing liabilities	(3,908)	(467)	—	—	(4,375)
Derivative financial liabilities					
Financing derivatives – receipts[2]	4,236	3,179	4,710	2,822	14,947
Financing derivatives – payments[2]	(4,777)	(3,514)	(5,072)	(3,380)	(16,743)
Commodity contract derivatives – receipts[2]	9	5	1	—	15
Commodity contract derivatives – payments[2]	(67)	(36)	(29)	(43)	(175)
Derivative financial assets					
Financing derivatives – receipts[2]	1,907	4,032	2,598	1,460	9,997
Financing derivatives – payments[2]	(1,897)	(3,970)	(2,467)	(1,369)	(9,703)
Commodity contract derivatives – receipts[2]	84	8	—	—	92
Commodity contract derivatives – payments[2]	(16)	(6)	(3)	—	(25)
	(10,235)	(5,556)	(4,180)	(54,269)	(74,240)

At 31 March 2024	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	More than 3 years £m	Total £m
Non-derivative financial liabilities					
Borrowings, excluding lease liabilities	(4,480)	(2,627)	(3,036)	(35,243)	(45,386)
Interest payments on borrowings[1]	(1,505)	(1,442)	(1,386)	(17,247)	(21,580)
Lease liabilities	(133)	(118)	(97)	(662)	(1,010)
Other non-interest-bearing liabilities	(3,715)	(458)	—	—	(4,173)
Derivative financial liabilities					
Financing derivatives – receipts[2]	5,583	2,993	2,672	5,246	16,494
Financing derivatives – payments[2]	(6,068)	(3,496)	(2,909)	(5,756)	(18,229)
Commodity contract derivatives – receipts[2]	8	3	—	—	11
Commodity contract derivatives – payments[2]	(79)	(24)	(7)	—	(110)
Derivative financial assets					
Financing derivatives – receipts[2]	1,927	311	3,993	2,485	8,716
Financing derivatives – payments[2]	(1,884)	(312)	(3,935)	(2,305)	(8,436)
Commodity contract derivatives – receipts[2]	23	8	1	—	32
Commodity contract derivatives – payments[2]	(9)	(5)	(1)	—	(15)
	(10,332)	(5,167)	(4,705)	(53,482)	(73,686)

1. The interest on borrowings is calculated based on borrowings held at 31 March without taking account of future issues. Floating rate interest is estimated using a forward interest rate curve as at 31 March. Payments are included on the basis of the earliest date on which the Company can be required to settle.
2. The receipts and payments line items for derivatives comprise gross undiscounted future cash flows, after considering any contractual netting that applies within individual contracts. Where cash receipts and payments within a derivative contract are settled net, and the amount to be received/(paid) exceeds the amount to be paid/(received), the net amount is presented within derivative receipts/(payments).

Notes to the consolidated financial statements continued

32. Financial risk management continued

(c) Currency risk

National Grid operates internationally with mainly pound sterling as the functional currency for the UK companies and US dollar for the US businesses. Currency risk arises from three major areas: funding activities, capital investment and related revenues, and holdings in foreign operations. This risk is managed using financial instruments including derivatives as approved by policy, typically cross-currency interest rate swaps, foreign exchange swaps and forwards.

Funding activities – we borrow in various debt markets across the world. Foreign currency funding gives rise to risk of volatility in the amount of functional currency cash to be repaid. This risk is reduced by swapping principal and interest back into the functional currency of the issuer. All foreign currency debt and transactions are hedged except where they provide a natural offset to assets elsewhere in the Group.

Capital investment and related revenues – capital projects often incur costs or generate revenues in a foreign currency, most often euro transactions done by the UK business. Our policy for managing foreign exchange transaction risk is to hedge contractually committed foreign currency cash flows over a prescribed minimum size, typically by buying euro forwards to hedge future expenditure and selling euro forwards to hedge future revenues. For hedges of forecast cash flows, our policy is to hedge a proportion of highly probable cash flows.

Holdings in foreign operations – we are exposed to fluctuations on the translation into pounds sterling of our foreign operations. The policy for managing this translation risk is to issue foreign currency debt or to replicate foreign debt using derivatives that pay cash flows in the currency of the foreign operation. The primary managed exposure arises from dollar denominated assets and liabilities held by our US operations, with a smaller euro exposure in respect of joint venture investments.

Derivative financial instruments were used to manage foreign currency risk as follows:

	2025					2024				
	Sterling £m	**Euro £m**	**Dollar £m**	**Other £m**	**Total £m**	Sterling £m	Euro £m	Dollar £m	Other £m	Total £m
Cash and cash equivalents	**1,047**	**—**	**131**	**—**	**1,178**	402	—	157	—	559
Financial investments	**5,129**	**—**	**624**	**—**	**5,753**	1,514	—	2,185	—	3,699
Borrowings	**(13,913)**	**(12,968)**	**(19,217)**	**(1,441)**	**(47,539)**	(14,498)	(11,936)	(18,938)	(1,700)	(47,072)
Pre-derivative position	**(7,737)**	**(12,968)**	**(18,462)**	**(1,441)**	**(40,608)**	(12,582)	(11,936)	(16,596)	(1,700)	(42,814)
Derivative effect	**(8,539)**	**13,886**	**(7,755)**	**1,645**	**(763)**	(9,102)	12,976	(6,625)	1,958	(793)
Net debt position	**(16,276)**	**918**	**(26,217)**	**204**	**(41,371)**	(21,684)	1,040	(23,221)	258	(43,607)

The exposure to dollars largely relates to our net investment hedge activities and exposure to euros largely relates to hedges for our future non-sterling capital expenditure and associated revenues.

The currency exposure on other financial instruments is as follows:

	2025					2024				
	Sterling £m	**Euro £m**	**Dollar £m**	**Other £m**	**Total £m**	Sterling £m	Euro £m	Dollar £m	Other £m	Total £m
Trade and other receivables	**424**	**—**	**2,272**	**—**	**2,696**	280	—	1,878	—	2,158
Trade and other payables	**(1,359)**	**—**	**(2,549)**	**—**	**(3,908)**	(1,330)	—	(2,385)	—	(3,715)
Other non-current liabilities	**(171)**	**—**	**(296)**	**—**	**(467)**	(169)	—	(289)	—	(458)

The carrying amounts of other financial instruments are denominated in the above currencies, which in most instances are the functional currency of the respective subsidiaries. Our exposure to dollars is due to activities in our US subsidiaries. We do not have any other significant exposure to currency risk on these balances.

Hedge accounting for currency risk

Where available, derivatives transacted for hedging are designated for hedge accounting. Economic offset is qualitatively determined because the critical terms (currency and volume) of the hedging instrument match the hedged exposure. If a forecast transaction was no longer expected to occur, the cumulative gain or loss previously reported in equity would be transferred to the income statement. This has not occurred in the current or comparative years.

Cash flow hedging of currency risk of capital expenditure and revenue are designated as either hedging the exposure to movements in the spot or forward translation risk. Gains and losses on hedging instruments arising from undesignated forward points and foreign currency basis spreads are excluded from designation and are recognised immediately in profit or loss, along with any hedge ineffectiveness. On recognition of the hedged purchase or sale in the financial statements, the associated hedge gains and losses, deferred in the cash flow hedge reserve in other equity reserves, are transferred out of reserves and included with the recognition of the underlying transaction. Where a non-financial asset or a non-financial liability results from a forecast transaction or firm commitment being hedged, the amounts deferred in reserves are included directly in the initial measurement of that asset or liability.

Net investment hedging is also designated as hedging the exposure to movements in spot translation rates only: spot-related gains and losses on hedging instruments are presented in the cumulative translation reserve within other equity reserves to offset gains or losses on translation of the hedged balance sheet exposure. Any ineffectiveness is recognised immediately in the income statement. Amounts deferred in the cumulative translation reserve with respect to net investment hedges are subsequently recognised in the income statement in the event of disposal of the overseas operations concerned. Any remaining amounts deferred in the cost of hedging reserve are also released to the income statement.

32. Financial risk management continued

(c) Currency risk continued

Hedges of foreign currency funding are designated as cash flow hedges or fair value hedges of forward exchange risk (hedging both currency and interest rate risk together, where applicable). Gains and losses arising from foreign currency basis spreads are excluded from designation and are treated as a cost of hedging, deferred initially in other equity reserves and released into profit or loss over the life of the hedging relationship. Hedge accounting for funding is described further in the interest rate risk section that follows.

(d) Interest rate risk

National Grid's interest rate risk arises from our long-term borrowings. Our interest rate risk management policy is to seek to minimise total financing costs (being interest costs and changes in the market value of debt). Hedging instruments principally consist of interest rate and cross-currency swaps that are used to translate foreign currency debt into functional currency and to adjust the proportion of fixed rate and floating rate in the borrowings portfolio to within a range set by the Finance Committee of the Board. The benchmark interest rates hedged are currently based on Secured Overnight Financing Rate (SOFR) for USD and Sterling Overnight Index Average (SONIA) for GBP.

We also consider inflation risk and hold some inflation-linked borrowings. We believe that these provide a partial economic offset to the inflation risk associated with our UK inflation-linked revenues.

The table in note 21 sets out the carrying amount, by contractual maturity, of borrowings that are exposed to interest rate risk before taking into account interest rate swaps.

Net debt was managed using derivative financial instruments to hedge interest rate risk as follows:

	2025					2024				
	Fixed rate £m	**Floating rate £m**	**Inflation linked £m**	**Other[1] £m**	**Total £m**	Fixed rate £m	Floating rate £m	Inflation linked £m	Other[1] £m	Total £m
Cash and cash equivalents	**131**	**1,047**	**—**	**—**	**1,178**	157	402	—	—	559
Financial investments	**—**	**5,719**	**—**	**34**	**5,753**	—	3,640	—	59	3,699
Borrowings[2]	**(39,847)**	**(3,061)**	**(4,631)**	**—**	**(47,539)**	(39,948)	(2,378)	(4,746)	—	(47,072)
Pre-derivative position	**(39,716)**	**3,705**	**(4,631)**	**34**	**(40,608)**	(39,791)	1,664	(4,746)	59	(42,814)
Derivative effect	**3,841**	**(4,540)**	**(64)**	**—**	**(763)**	5,034	(5,763)	(64)	—	(793)
Net debt position	**(35,875)**	**(835)**	**(4,695)**	**34**	**(41,371)**	(34,757)	(4,099)	(4,810)	59	(43,607)

1. Represents financial instruments which are not directly affected by interest rate risk, such as investments in equity or other similar financial instruments.
2. Commercial paper is presented as floating rate as it has short-term maturities between 1–7 months and is regularly refinanced at current market rates.

Hedge accounting for interest rate risk

Borrowings paying variable or floating rates expose National Grid to cash flow interest rate risk, partially offset by cash held at variable rates. Where a hedging instrument results in paying a fixed rate, it is designated as a cash flow hedge because it has reduced the cash flow volatility of the hedged borrowing. Changes in the fair value of the derivative are initially recognised in other comprehensive income as gains or losses in the cash flow hedge reserve, with any ineffective portion recognised immediately in the income statement.

Borrowings paying fixed rates expose National Grid to fair value interest rate risk. Where the hedging instrument pays a floating rate, it is designated as a fair value hedge because it has reduced the fair value volatility of the borrowing. Changes in the fair value of the derivative and changes in the fair value of the hedged item in relation to the risk being hedged are both adjusted on the balance sheet and offset in the income statement to the extent the fair value hedge is effective, with the residual difference remaining as ineffectiveness.

Both types of hedges are designated as hedging the currency and interest rate risk arising from changes in forward points. Amounts accumulated in the cash flow hedge reserve (cash flow hedges only) and the deferred cost of hedging reserve (both cash flow and fair value hedges) are reclassified from reserves to the income statement on a systematic basis as hedged interest expense is recognised. Adjustments made to the carrying value of hedged items in fair value hedges are similarly released to the income statement to match the timing of the hedged interest expense.

When hedge accounting is discontinued, any remaining cumulative hedge accounting balances continue to be released to the income statement to match the impact of outstanding hedged items. Any remaining amounts deferred in the cost of hedging reserve are released immediately to the income statement as finance costs.

Notes to the consolidated financial statements continued

32. Financial risk management continued

(e) Hedge accounting

In accordance with the requirements of IFRS 7, certain additional information about hedge accounting is disaggregated by risk type and hedge designation type in the tables below:

Year ended 31 March 2025	Fair value hedges of foreign currency and/or interest rate risk £m	Cash flow hedges of foreign currency and/or interest rate risk £m	Cash flow hedges of foreign currency risk £m	Net investment hedges £m
Consolidated statement of comprehensive income				
Net gains/(losses) in respect of:				
Cash flow hedges	–	26	(12)	–
Cost of hedging	(14)	(36)	–	4
Net investment hedges	–	–	–	56
Transferred to profit or loss in respect of:				
Cash flow hedges	–	182	6	–
Cost of hedging	1	(3)	–	(4)
Consolidated statement of changes in equity				
Other equity reserves – cost of hedging balances	(24)	(54)	–	3
Consolidated statement of financial position				
Borrowings – carrying value of hedging instruments				
Liabilities – non-current	–	–	–	(1,734)
Derivatives – carrying value of hedging instruments[1]				
Assets – current	–	1	3	6
Assets – non-current	32	194	1	–
Liabilities – current	(253)	(50)	(6)	(2)
Liabilities – non-current	(397)	(183)	(41)	(1)
Profiles of the significant timing, price and rate information of hedging instruments				
Maturity range	Jan 2026 – Sep 2044	Jun 2025 – Nov 2040	Apr 2025 – Jun 2031	Apr 2025 – Jan 2034
Spot foreign exchange range:				
GBP:USD	n/a	1.30 – 1.66	1.25 – 1.30	1.26 – 1.29
GBP:EUR	1.11 – 1.24	1.08 – 1.19	1.11 – 1.21	1.19 – 1.21
EUR:USD	1.05 – 1.15	1.06 – 1.15	n/a	n/a
Interest rate range:				
GBP	SONIA -260bps/+374bps	0.976% – 7.410%	n/a	n/a
USD	SOFR +83bps/+223bps	2.095% – 5.989%	n/a	n/a

1. The use of derivatives may entail a derivative transaction qualifying for more than one hedge type designation under IFRS 9. Therefore, the derivative amounts in the table above are grossed up by hedge type, whereas they are presented net at an instrument level in the statement of financial position.

32. Financial risk management continued

(e) Hedge accounting continued

Year ended 31 March 2024	Fair value hedges of foreign currency and/or interest rate risk £m	Cash flow hedges of foreign currency and/or interest rate risk £m	Cash flow hedges of foreign currency risk £m	Net investment hedges £m
Consolidated statement of comprehensive income				
Net gains/(losses) in respect of:				
Cash flow hedges	—	5	(26)	—
Cost of hedging	—	(1)	—	38
Net investment hedges	—	—	—	62
Transferred to profit or loss in respect of:				
Cash flow hedges	—	220	4	—
Cost of hedging	1	(4)	—	(8)
Consolidated statement of changes in equity				
Other equity reserves – cost of hedging balances	(11)	(16)	—	3
Consolidated statement of financial position				
Borrowings – carrying value of hedging instruments				
Liabilities – non-current	—	—	—	(1,768)
Derivatives – carrying value of hedging instruments[1]				
Assets – current	—	—	5	11
Assets – non-current	33	161	1	—
Liabilities – current	(96)	(112)	(4)	(8)
Liabilities – non-current	(499)	(164)	(32)	—
Profiles of the significant timing, price and rate information of hedging instruments				
Maturity range	Jul 2024 – Sep 2044	Jul 2024 – Nov 2040	Apr 2024 – Feb 2030	Apr 2024 – Jan 2034
Spot foreign exchange range:				
GBP:USD	n/a	1.30 – 1.66	1.23 – 1.27	1.22 – 1.29
GBP:EUR	1.11 – 1.24	1.08 – 1.19	1.11 – 1.18	1.17 – 1.17
EUR:USD	1.07 – 1.15	1.07 – 1.15	n/a	n/a
Interest rate range:				
GBP	SONIA +56bps/+374bps	0.976% – 7.410%	n/a	n/a
USD	SOFR +83bps/+223bps	2.095% – 5.989%	n/a	n/a

1. The use of derivatives may entail a derivative transaction qualifying for more than one hedge type designation under IFRS 9. Therefore, the derivative amounts in the table above are grossed up by hedge type, whereas they are presented net at an instrument level in the statement of financial position.

Notes to the consolidated financial statements continued

32. Financial risk management continued

(e) Hedge accounting continued

The following tables show the effects of hedge accounting on financial position and year-to-date performance for each type of hedge.

(i) Fair value hedges of foreign currency and interest rate risk on recognised borrowings:

As at 31 March 2025		**Balance of fair value hedge adjustments in borrowings**		**Change in value used for calculating ineffectiveness**		
Hedge type	**Hedging instrument notional £m**	**Continuing hedges £m**	**Discontinued hedges £m**	**Hedged item £m**	**Hedging instrument £m**	**Hedge ineffectiveness £m**
Foreign currency and interest rate risk on borrowings[1]	**(6,767)**	**756**	**(25)**	**106**	**(94)**	**12**

1. The carrying value of the hedged borrowings is £6,414 million, of which £118 million is current and £6,296 million is non-current.

As at 31 March 2024		Balance of fair value hedge adjustments in borrowings		Change in value used for calculating ineffectiveness		
Hedge type	Hedging instrument notional £m	Continuing hedges £m	Discontinued hedges £m	Hedged item £m	Hedging instrument £m	Hedge ineffectiveness £m
Foreign currency and interest rate risk on borrowings[1]	(5,096)	720	(35)	40	(22)	18

1. The carrying value of the hedged borrowings was £4,364 million, of which £271 million was current and £4,093 million was non-current.

(ii) Cash flow hedges of foreign currency and interest rate risk:

As at 31 March 2025		**Balance in cash flow hedge reserve**		**Change in value used for calculating ineffectiveness**		
Hedge type	**Hedging instrument notional £m**	**Continuing hedges £m**	**Discontinued hedges £m**	**Hedged item £m**	**Hedging instrument £m**	**Hedge ineffectiveness £m**
Foreign currency and interest rate risk on borrowings and forecast cash flows	**(14,769)**	**376**	**—**	**(33)**	**27**	**(6)**
Foreign currency risk on forecast cash flows	**(1,907)**	**(43)**	**—**	**12**	**(12)**	**—**

As at 31 March 2024		Balance in cash flow hedge reserve		Change in value used for calculating ineffectiveness		
Hedge type	Hedging instrument notional £m	Continuing hedges £m	Discontinued hedges £m	Hedged item £m	Hedging instrument £m	Hedge ineffectiveness £m
Foreign currency and interest rate risk on borrowings and forecast cash flows	(9,892)	154	—	(18)	3	(15)
Foreign currency risk on forecast cash flows	(2,039)	(31)	—	28	(28)	—

(iii) Net investment hedges of foreign currency risk:

As at 31 March 2025		**Balance in translation reserve**		**Change in value used for calculating ineffectiveness**		
Hedge type	**Hedging instrument notional £m**	**Continuing hedges £m**	**Discontinued hedges £m**	**Hedged item £m**	**Hedging instrument £m**	**Hedge ineffectiveness £m**
Currency risk on foreign operations	**(2,641)**	**55**	**(2,523)**	**(56)**	**56**	**—**

As at 31 March 2024		Balance in translation reserve		Change in value used for calculating ineffectiveness		
Hedge type	Hedging instrument notional £m	Continuing hedges £m	Discontinued hedges £m	Hedged item £m	Hedging instrument £m	Hedge ineffectiveness £m
Currency risk on foreign operations	(2,999)	40	(2,564)	(62)	62	—

32. Financial risk management continued

(f) Commodity price risk

We purchase electricity and gas to supply our customers in the US and to meet our own energy needs. Substantially all our costs of purchasing electricity and gas for supply to customers are recoverable at an amount equal to cost. The timing of recovery of these costs can vary between financial periods leading to an under- or over-recovery within any particular year that can lead to large fluctuations in the income statement. We follow approved policies to manage price and supply risks for our commodity activities.

Our energy procurement risk management policy and delegations of authority govern our US commodity trading activities for energy transactions. The purpose of this policy is to ensure we transact within pre-defined risk parameters and only in the physical and financial markets where we or our customers have a physical market requirement. In addition, state regulators require National Grid to manage commodity risk and cost volatility prudently through diversified pricing strategies. In some jurisdictions we are required to file a plan outlining our strategy to be approved by regulators. In certain cases, we might receive guidance with regard to specific hedging limits.

Energy purchase contracts for the forward purchase of electricity or gas that are used to satisfy physical delivery requirements to customers, or for energy that the Group uses itself, meet the expected purchase or usage requirements of IFRS 9. They are, therefore, not recognised in the financial statements until they are realised. Disclosure of commitments under such contracts is made in note 30.

US states have introduced a variety of legislative requirements with the aim of increasing the proportion of our electricity that is derived from renewable or other forms of clean energy. Annual compliance filings regarding the level of Renewable Energy Certificates (and other similar environmental certificates) are required by the relevant department of utilities. In response to the legislative requirements, National Grid has entered into long-term, typically fixed-price, energy supply contracts to purchase both renewable energy and environmental certificates. We are entitled to recover all costs incurred under these contracts through customer billing.

Under IFRS, where these supply contracts are not accounted for as leases, they are considered to comprise two components, being a forward purchase of power at spot prices and a forward purchase of environmental certificates at a variable price (being the contract price less the spot power price). With respect to our current contracts, neither of these components meets the requirement to be accounted for as a derivative. The environmental certificates are currently required for compliance purposes, and at present there are no liquid markets for these attributes. Furthermore, this component meets the expected purchase or usage exemption of IFRS 9. We expect to enter into an increasing number of these contracts in order to meet our compliance requirements in the short to medium term. In future, if and when liquid markets develop, and to the extent that we are in receipt of environmental certificates in excess of our required levels, this exemption may cease to apply and we may be required to account for forward purchase commitments for environmental certificates as derivatives at fair value through profit and loss.

In the UK, financial transactions have been introduced to manage exposures on the North Sea Link interconnector. These bilateral transactions are cash-settled against the relevant day-ahead prices in order to manage the risk associated with the sale of physical capacity on the link. The mark-to-market exposure of any open positions is calculated based on futures products in the GB and Nordic markets.

(g) Fair value analysis

Included in the statement of financial position are financial instruments which are measured at fair value. These fair values can be categorised into hierarchy levels that are representative of the inputs used in measuring the fair value. The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used.

	2025				2024			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets								
Investments held at FVTPL	5,156	—	407	5,563	3,084	—	483	3,567
Investments held at FVOCI[1]	—	384	—	384	—	397	—	397
Financing derivatives	—	344	31	375	—	293	40	333
Commodity contract derivatives	—	102	5	107	—	35	—	35
	5,156	830	443	6,429	3,084	725	523	4,332
Liabilities								
Financing derivatives	—	(1,043)	(95)	(1,138)	—	(1,022)	(104)	(1,126)
Commodity contract derivatives	—	(39)	(25)	(64)	—	(105)	(13)	(118)
	—	(1,082)	(120)	(1,202)	—	(1,127)	(117)	(1,244)
	5,156	(252)	323	5,227	3,084	(402)	406	3,088

1. Investments held includes instruments which meet the criteria of IFRS 9 or IAS 19.

Level 1:	Financial instruments with quoted prices for identical instruments in active markets.
Level 2:	Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets, and financial instruments valued using models where all significant inputs are based directly or indirectly on observable market data.
Level 3:	Financial instruments valued using valuation techniques where one or more significant inputs are based on unobservable market data.

Notes to the consolidated financial statements continued

32. Financial risk management continued

(g) Fair value analysis continued

Our Level 1 financial investments and liabilities held at fair value are valued using quoted prices from liquid markets and primarily comprise investments in short-term money market funds.

Our Level 2 financial investments held at fair value primarily include bonds with a tenor greater than one year and are valued using quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets. Alternatively, they are valued using models where all significant inputs are based directly or indirectly on observable market data.

Our Level 2 financing derivatives include cross-currency, interest rate and foreign exchange derivatives. We value these by discounting all future cash flows by externally sourced market yield curves at the reporting date, taking into account the credit quality of both parties. These derivatives can be priced using liquidly traded interest rate curves and foreign exchange rates, and therefore we classify our vanilla trades as Level 2 under the IFRS 13 framework.

Our Level 2 US commodity contract derivatives include over-the-counter gas and power swaps as well as forward physical gas deals. We value our contracts based on market data obtained from the New York Mercantile Exchange (NYMEX) and the Intercontinental Exchange (ICE), where monthly prices are available. We discount based on externally sourced market yield curves at the reporting date, taking into account the credit quality of both parties and liquidity in the market. Our commodity contracts can be priced using liquidly traded swaps. Therefore, we classify our vanilla trades as Level 2 under the IFRS 13 framework.

Our Level 3 financing derivatives include inflation-linked swaps, where the market is illiquid. In valuing these instruments, we use in-house valuation models and obtain external valuations to support each reported fair value.

Our Level 3 UK commodity contract derivatives consist of UK electricity capacity swaps.

Our Level 3 US commodity contract derivatives primarily consist of our forward purchases of electricity and gas that we value using proprietary models. Derivatives are classified as Level 3 where significant inputs into the valuation technique are neither directly nor indirectly observable (including our own data, which are adjusted, if necessary, to reflect the assumptions market participants would use in the circumstances).

Our Level 3 financial investments include equity investments accounted for at fair value through profit and loss. These equity holdings are part of our corporate venture capital portfolio held by National Grid Partners and comprise a series of relatively small, early-stage non-controlling minority interest unquoted investments where prices or valuation inputs are unobservable. Twenty-two equity investments (out of 41) are fair valued based on the latest transaction price (a price within the last 12 months), either being the price we paid for the investments, marked to a latest round of funding and adjusted for our preferential rights or based on an internal model. In addition, we have 19 investments without a transaction in the last 12 months that underwent an internal valuation process using the Black-Scholes Merton Option Pricing Model (OPM Backsolve). Between 12 and 18 months, a blend between OPM Backsolve and other techniques is utilised, such as proxy group revenue multiples, discounted cash flow, comparable company analysis and probability weighted expected return approach, in order to triangulate a valuation. After 18 months, the valuation is based on these alternative methods as the last fundraising price is no longer a reliable basis for valuation.

Our Level 3 financial investments also include our investment in Sunrun Neptune 2016 LLC, which is accounted for at fair value through profit and loss. The investment is fair valued by discounting expected cash flows using a weighted average cost of capital specific to Sunrun Neptune 2016 LLC.

32. Financial risk management continued

(g) Fair value analysis continued

The changes in value of our Level 3 financial instruments are as follows:

	Financing derivatives		Commodity contract derivatives		Other[3]		Total	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
At 1 April	(64)	(100)	(13)	(36)	483	433	406	297
Net gains/(losses) for the year[1,2]	—	36	(41)	—	(77)	6	(118)	42
Purchases	—	—	—	(16)	45	35	45	19
Settlements	—	—	25	39	(44)	9	(19)	48
Reclassifications/transfers out of Level 3[4]	—	—	9	—	—	—	9	—
At 31 March	(64)	(64)	(20)	(13)	407	483	323	406

1. Loss of £nil (2024: £36 million gain) is attributable to financing derivatives held at the end of the reporting period and has been recognised in finance costs in the consolidated income statement.
2. Includes a loss of £6 million (2024: £18 million loss) attributable to commodity contract derivative financial instruments held at the end of the reporting period and has been recognised in other operating costs in the consolidated income statement.
3. Other comprises our investments in Sunrun Neptune 2016 LLC and the investments made by National Grid Partners, which are accounted for at fair value through profit and loss. Net gains and losses are recognised within revenue in the consolidated income statement.
4. £9 million (2024: £nil) of US Commodity contract derivatives were reclassified out of Level 3 to Level 2 in the period due to improved observability of the fair value of these instruments.

The impacts on a post-tax basis of reasonably possible changes in significant Level 3 assumptions are as follows:

	Financing derivatives		Commodity contract derivatives		Other[3]	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
10% increase in commodity prices[1]	—	—	8	4	—	—
10% decrease in commodity prices[1]	—	—	(7)	(4)	—	—
+10% market area price change	—	—	—	—	—	—
-10% market area price change	—	—	—	—	—	—
+20 basis points change in Limited Price Inflation (LPI) market curve[2]	(33)	(41)	—	—	—	—
-20 basis points change in LPI market curve[2]	33	41	—	—	—	—
+20 basis points increase between RPI and Consumer Price Index (CPI)	31	37	—	—	—	—
-20 basis points decrease between RPI and CPI	(29)	(34)	—	—	—	—
+100 basis points change in discount rate	—	—	—	—	(6)	(7)
-100 basis points change in discount rate	—	—	—	—	7	9
+10% change in venture capital price	—	—	—	—	26	28
-10% change in venture capital price	—	—	—	—	(26)	(28)

1. Level 3 commodity price sensitivity is included within the sensitivity analysis disclosed in note 35.
2. A reasonably possible change in assumption of other Level 3 derivative financial instruments is unlikely to result in a material change in fair values.
3. The investments acquired in the period were on market terms, and sensitivity is considered insignificant at 31 March 2025.

The impacts disclosed above were considered on a contract-by-contract basis, with the most significant unobservable inputs identified.

Notes to the consolidated financial statements continued

32. Financial risk management continued

(h) Capital risk management

The capital structure of the Group consists of shareholders' equity, as disclosed in the consolidated statement of changes in equity, and net debt (note 29). National Grid's objectives when managing capital are: to safeguard our ability to continue as a going concern; to remain within regulatory constraints of our regulated operating companies; and to maintain an efficient mix of debt and equity funding, thus achieving an optimal capital structure and cost of capital. We regularly review and manage the capital structure as appropriate in order to achieve these objectives.

Maintaining appropriate credit ratings for our operating and holding companies is an important aspect of our capital risk management strategy and balance sheet efficiency. We monitor our balance sheet efficiency using several metrics, including retained cash flow/net debt (RCF/debt), regulatory gearing and interest cover. For the year ended 31 March 2025, these metrics for the Group were 9.8% (2024: 9.2%), 61% (2024: 69%) and 3.8x (2024: 3.9x), respectively – see pages 80 and 287. We believe these are consistent with the current credit ratings for National Grid plc in respect of the main companies of the Group, based on guidance from the rating agencies.

We monitor the RAV gearing within National Grid Electricity Transmission plc (NGET) and the four distribution network operators of National Grid Electricity Distribution plc (NGED). This is calculated as net debt expressed as a percentage of RAV, and indicates the level of debt employed to fund our UK-regulated businesses. It is compared with the level of RAV gearing indicated by Ofgem as being appropriate for these businesses, between 55% and 60%. We also monitor net debt as a percentage of rate base for our US operating companies, comparing this with the allowed rate base gearing inherent within each of our agreed rate plans, typically around 50%.

As part of the Group's debt financing arrangements, we are subject to a number of financial covenants associated with existing borrowings and facility arrangements:
- the requirement to maintain subsidiary indebtedness relating to both non-US and US subsidiaries (excluding National Grid North America Inc.) limits the total indebtedness in absolute terms to £45 billion (2024: £35 billion) for non-US subsidiaries and $45 billion (2024: $35 billion) for US subsidiaries. As at 31 March 2025, headroom on these covenants exceeds £20 billion;
- the Articles of Association of National Grid plc limit Group total borrowings less cash and short-term investments in absolute terms to £55 billion. As at 31 March 2025, headroom on the limit exceeds £10 billion; and
- net debt to RAV gearing covenants limit gearing to 85% of RAV for each NGED operating company. As at 31 March 2025, headroom on this covenant exceeds 20 percentage points for all impacted companies based on the covenant definition of net debt. The carrying value of the bonds under this covenant restriction are £3,005 million (2024: £3,405 million).

We consider the risk of breaching these covenants as remote given the level of headroom present.

The majority of our regulated operating companies in the US and the UK are subject to certain restrictions on the payment of dividends by administrative order, contract and/or licence. The types of restrictions that a company may have that would prevent a dividend being declared or paid unless they are met include the following:
- the requirement to notify by certification to regulators and certain lenders;
- dividends must be approved in advance by the relevant US state regulatory commission;
- the subsidiary must have one or two recognised rating agency credit ratings of at least investment grade depending on contractual requirements;
- dividends must be limited to cumulative retained earnings, including pre-acquisition retained earnings and in line with relevant company legislation;
- the securities of National Grid plc must maintain an investment grade credit rating, and if that rating is the lowest investment grade bond rating it cannot have a negative watch/review for downgrade notice by a credit rating agency;
- the subsidiary must not carry out any activities other than those permitted by the licences;
- the subsidiary must not create any cross-default obligations or give or receive any intra-group cross-subsidies;
- the percentage of equity compared with total capital of the subsidiary must remain above certain levels; and
- in the case of NGED, the percentage of debt compared with total RAV of the subsidiary must remain below 85%.

These restrictions are subject to alteration in the US as and when a new rate case or rate plan is agreed with the relevant regulatory bodies for each operating company and, in the UK, through the normal licence review process.

As most of our business is regulated, at 31 March 2025 the majority of our net assets are subject to some of the restrictions noted above. These restrictions are not considered to be significantly onerous, nor do we currently expect they will prevent the planned payment of dividends in the future in line with our dividend policy.

All the above requirements are monitored on a regular basis in order to ensure compliance. The Group has complied with all externally imposed capital requirements to which it is subject.

33. Borrowing facilities

To support our liquidity requirements and provide backup to commercial paper and other borrowings, we agree committed credit facilities with financial institutions over and above the value of borrowings that may be required. These committed credit facilities are undrawn.

An analysis of the maturity of our undrawn committed facilities as at 31 March 2025 is shown below:

	2025 £m	2024 £m
Undrawn committed borrowing facilities expiring:		
Less than 1 year	—	—
In 1 to 2 years	—	—
In 2 to 3 years	5,982	195
In 3 to 4 years	105	5,859
In 4 to 5 years	1,745	106
More than 5 years	—	1,745
	7,832	7,905

Of the unused facilities at 31 March 2025, £7,792 million (2024: £7,864 million) is available for liquidity purposes, while £40 million (2024: £41 million) is available as backup to specific US borrowings.

Notes to the consolidated financial statements continued

34. Subsidiary undertakings, joint arrangements and associates

While we present consolidated results in these financial statements as if we were one company, our legal structure is such that there are a number of different operating and holding companies that contribute to the overall result. This structure has evolved through acquisitions as well as regulatory requirements to have certain activities within separate legal entities.

Subsidiary undertakings

A list of the Group's subsidiaries as at 31 March 2025 is given below. The entire share capital of subsidiaries is held within the Group except where the Group's ownership percentages are shown. These percentages give the Group's ultimate interest and therefore allow for the situation where subsidiaries are owned by partly owned intermediate subsidiaries. Where subsidiaries have different classes of shares, this is largely for historical reasons, and the effective percentage holdings given represent both the Group's voting rights and equity holding. Shares in National Grid (US) Holdings Limited, National Grid Luxembourg SARL, NGG Finance plc and Project SPV (Jersey) Investment Limited are held directly by National Grid plc. All other holdings in subsidiaries are owned by other subsidiaries within the Group. All subsidiaries are consolidated in the Group's financial statements. The Group does not have any branches.

Principal Group companies are identified in **bold**. These companies are incorporated and principally operate in the countries under which they are shown. All entities incorporated in the US are taxed in the US on their worldwide income other than where indicated in the footnotes below. Other entities are tax resident in their jurisdiction of incorporation other than where indicated in the footnotes below.

Incorporated in England and Wales

Registered office: 1–3 Strand, London, WC2N 5EH, UK (unless stated otherwise in footnotes).

Birch Sites Limited
Carbon Sentinel Limited
Central Networks Trustees Limited[1]
Icelink Interconnector Limited
Kelston Properties 2 Limited[1]
Lattice Group Limited
NatgridTW1 Limited
National Grid (US) Holdings Limited[2]
National Grid (US) Investments 4 Limited[2]
National Grid (US) Partner 1 Limited[2]
National Grid Carbon Limited
National Grid Commercial Holdings Limited
National Grid Continental Limited
National Grid Distributed Energy Limited
National Grid Electricity Distribution (East Midlands) plc[1]
National Grid Electricity Distribution (South Wales) plc[1]
National Grid Electricity Distribution (South West) plc[1]
National Grid Electricity Distribution (West Midlands) plc[1]
National Grid Electricity Distribution Generation Limited[1]
National Grid Electricity Distribution Holdings Limited[1]
National Grid Electricity Distribution Investments Limited[1]
National Grid Electricity Distribution Midlands Limited[1]
National Grid Electricity Distribution Network Holdings Limited[1]
National Grid Electricity Distribution plc[1]
National Grid Electricity Distribution Property Investments Limited[1]
National Grid Electricity Group Trustee Limited
National Grid Electricity Transmission plc
National Grid Energy Metering Limited
National Grid Grain LNG Limited
National Grid Helicopters Limited[1]
National Grid Holdings Limited[2]
National Grid Holdings One plc
National Grid Hydrogen Limited
National Grid IFA 2 Limited
National Grid Interconnector Holdings Limited
National Grid Interconnectors Limited
National Grid International Limited[2]
National Grid Lion Link Limited
National Grid Nautilus Limited
National Grid North Sea Link Limited
National Grid Offshore Limited
National Grid Partners Limited
National Grid Plus Limited
National Grid Property Holdings Limited
National Grid Telecoms Limited[1]
National Grid Twelve Limited
National Grid Twenty Eight Limited
National Grid Twenty Seven Limited
National Grid UK Limited
National Grid Ventures Limited
National Grid Viking Link Limited
National Grid William Limited
NG Nominees Limited*[2,3]
NGC Employee Shares Trustee Limited
NGG Finance plc
Ngrid Intellectual Property Limited
Port Greenwich Limited
Sheet Road Management Company Limited (51%)[4]
South Wales Electricity Share Scheme Trustees Limited[1]
Thamesport Interchange Limited
The National Grid Group Quest Trustee Company Limited*[3]
Warwick Technology Park Management Company (No 2) Limited (60.56%)[5]
Western Power Pension Trustee Limited[1]
WPD WEM Holdings Limited[1]
WPD WEM Limited[1]

1. Registered office: Avonbank, Feeder Road, Bristol, Avon, BS2 0TB, UK.
2. Companies where National Grid plc has issued guarantees over the liabilities of the companies as at 31 March 2025 and for which the companies are taking the exemption from the requirements of an audit for their individual financial statements as permitted by section 479A of the Companies Act.
3. Registered office: C/o Interpath Limited, 10 Fleet Place, London, EC4M 7RB, UK.
4. Registered office: Netley Old Hall Farm, Dorrington, Shrewsbury, SY5 7JY, UK.
5. Registered office: Shire Hall, PO Box 9, Warwick, CV34 4RL, UK.

* In liquidation.

34. Subsidiary undertakings, joint arrangements and associates continued
Subsidiary undertakings continued
Incorporated in the US

Registered office: National Registered Agents, Inc., 1209 Orange Street, Wilmington, DE 19801, USA (unless stated otherwise in footnotes).

Apple River Solar, LLC
Apple River Storage, LLC
Armenia Solar, LLC
Bazile Creek Wind Farm, LLC
Bee Hollow Solar, LLC
Belle Plaine Solar, LLC
Blue Ridge Wind, LLC
Blue Spring Solar, LLC
Blues Solar, LLC
Boone Solar, LLC
Boston Gas Company[1]
Brock Solar, LLC
Broken Bridge Corp.[2]
Brook Trout Solar, LLC
Burley Solar, LLC
Burr Ridge Wind, LLC
Cage Ranch Solar II, LLC
Cage Ranch Solar III, LLC
Cage Ranch Solar, LLC
Caldwell Solar II, LLC
Caldwell Solar, LLC
Camp Creek Wind Farm, LLC
Carnation Solar, LLC
Cattle Ridge Wind Farm 2, LLC
Cedar Grove Solar, LLC
Charter Oak Solar, LLC
Charter Oak Storage, LLC
Clay Boswell Solar, LLC
Clermont Solar, LLC
Coles Solar, LLC
Compass Prairie Wind, LLC
Conestoga Wind, LLC
Creekview Solar, LLC
Crocker Wind Farm 2, LLC
Dakota Hills Wind Farm, LLC
Deatsville Solar, LLC
Donnellson Solar, LLC
Doorstep Community LLC[3]
Eldena Solar, LLC
Elk Creek Solar 2, LLC
Elk Creek Solar, LLC
EUA Energy Investment Corporation[1]
Exie Solar, LLC
Firstview Wind Farm, LLC
Fort Solar, LLC
Front Range Wind Farm, LLC
Galaxy Solar 2, LLC
Galaxy Solar, LLC
Golden Solar, LLC
Goldenrod Wind Farm, LLC
Goldfinch Solar, LLC
Granite Rock Wind Farm, LLC[4]
Granite State Power Link LLC[3]
Grant Solar 2, LLC
Grant Solar, LLC
Grayson Solar, LLC
Grazing Hills Wind Farm, LLC
Greenbrier Creek Solar, LLC
Greenwood Solar, LLC
Grid NY LLC[6]
Grindstone Wind Farm, LLC[5]
Hale County Solar, LLC
Hansford Energy Storage, LLC
Harmony Solar ND 2, LLC
Harmony Solar ND, LLC
Harrington Solar, LLC
Hartley Solar, LLC
Hearth Solar, LLC
Honeybee Solar, LLC
Hoosier Solar, LLC
Illumination Solar, LLC
Itasca Energy Development, LLC[4]
Itasca Energy Services, LLC
Jack Rabbit Wind, LLC
Jackson County Solar, LLC
KeySpan CI Midstream Limited[3]
KeySpan Energy Corporation[6]
KeySpan Energy Services Inc.[3]
KeySpan Gas East Corporation[6]
KeySpan International Corporation[3]
KeySpan MHK, Inc.[3]
KeySpan Midstream, Inc.[3]
KeySpan Plumbing Solutions, Inc.[6]
Kit Carson Wind, LLC
Kit Fox Storage, LLC
Knox Solar, LLC
Kota Storage, LLC
KSI Contracting, LLC[3]
KSI Electrical, LLC[3]
KSI Mechanical, LLC[3]
Lake Charlotte Solar, LLC
Lakeside Solar, LLC
Land Management & Development, Inc.[6]
Landwest, Inc.[6]
Lansing Solar, LLC
Las Moras Storage, LLC
Leola Wind Farm, LLC
Liberty Solar, LLC
Lime Creek Wind, LLC
Livingston County Solar, LLC
Long Mount Storage, LLC
Lordsburg Solar, LLC
Louisa Solar, LLC
Lowlands Solar, LLC
Lydia Solar, LLC
Massachusetts Electric Company[1]
Maverick Wind Farm, LLC
Meadowlands Solar, LLC
Mentha Solar, LLC
Metrowest Realty LLC[3]
Millers Ferry Solar, LLC
Morgan County Solar, LLC
Morning Glory Solar, LLC[4]
Muddy Creek Solar, LLC
Mustang Ridge Wind Farm, LLC
Mystic Steamship Corporation[7]
Nantucket Electric Company[1]
National Grid Development Holdings Corp.[3]
National Grid Electric Services LLC[6]
National Grid Energy Trading Services LLC[6]
National Grid Engineering & Survey Inc.[6]
National Grid Generation LLC[6]
National Grid Generation Ventures LLC[6]
National Grid Glenwood Energy Center LLC[3]
National Grid IGTS Corp.[6]
National Grid Insurance USA Ltd[8]
National Grid LNG LLC[3]
National Grid NE Holdings 2 LLC[1]
National Grid North America Inc.[3]
National Grid Partners Inc.[6]
National Grid Partners LLC[3]
National Grid Port Jefferson Energy Center LLC[3]
National Grid Renewables Development, LLC
National Grid Renewables E Wind, LLC[9]
National Grid Renewables Operations, LLC
National Grid Renewables Projects, LLC[4]
National Grid Renewables Stutsman, LLC
National Grid Renewables, LLC[3]
National Grid Services Inc.[3]
National Grid US LLC[3]
National Grid USA Service Company, Inc.[1]
National Grid USA[3]
NEES Energy, Inc.[1]
New England Electric Transmission Corporation[2]
New England Energy Incorporated[1]
New England Hydro Finance Company, Inc. (53.704%)[1]
New England Hydro-Transmission Corporation (53.704%)[2]
New England Hydro-Transmission Electric Company, Inc. (53.704%)[1]
New England Power Company[1]
Newport America Corporation[10]
Newton Solar, LLC
NG Renewables Energy Marketing, LLC

Notes to the consolidated financial statements continued

34. Subsidiary undertakings, joint arrangements and associates continued

Subsidiary undertakings continued

NG Renewables Energy Services, LLC
NG Renewables Remote Operations Center, LLC
NGNE LLC[3]
NGV Emerald Energy Venture Holdings, LLC[3]
NGV H2 Generation LLC[3]
NGV H2 Holdings LLC[3]
NGV LNG Holdings LLC[3]
NGV NGR Acquisition Co, LLC[3]
NGV NGR Holdco, LC[3]
NGV OSW Holdings, LLC[3]
NGV US Distributed Energy Inc.[3]
NGV US Transmission Inc.[3]
NGV US, LLC[3]
Niagara Mohawk Energy, Inc.[3]
Niagara Mohawk Holdings, Inc.[6]
Niagara Mohawk Power Corporation[6]
Niobrara Wind, LLC
NM Properties, Inc.[6]
Noble Solar, LLC[11]
Nordic VOS, LLC
North East Transmission Co., Inc.[3]
North Fork Wind, LLC
Oakland Solar, LLC
Opinac North America, Inc.[3]
Pasture Peaks Wind Farm, LLC
Peony Solar, LLC
Philadelphia Coke Co., Inc.[3]
Pike County Solar, LLC
Pipestone Solar, LLC
Plum Creek Wind Farm 2, LLC
Plum Creek Wind Farm, LLC
Port of the Islands North, LLC[6]
Portage Solar, LLC
Prairie Oasis Solar, LLC
Prairie Rose Wind 2, LLC[4]
Prosperity Wind Farm 2, LLC
Prosperity Wind Farm, LLC
Red Rock Solar SD, LLC
Regal Solar 2, LLC
Regal Solar, LLC
Reunion Solar, LLC
River North Solar, LLC
Robertson Solar, LLC
Rock Ridge Wind Farm, LLC
Rolling Hills Solar, LLC
Royal Solar 2, LLC
Royal Solar, LLC
Royerton Solar, LLC
Royerton Storage, LLC
Saginaw Bay Solar, LLC
Saltillo Storage, LLC
Sandbar Solar, LLC
Sandstone Bluffs Wind Farm, LLC
Sandstone Creek Solar 2, LLC
Sandstone Creek Solar, LLC
Sapphire Sky Wind Farm, LLC
Sherco Solar 2, LLC[4]
Sherco Solar 3, LLC
Silver City Solar, LLC
Simpson Solar, LLC
Spring Brook Solar, LLC
Spring River Solar, LLC
Sprouting Skies Wind Farm, LLC
Stony Brook Wind, LLC
Stony Point Solar, LLC
Summit Lake Solar, LLC
Sunbeam Solar, LLC
Sunrise Solar, LLC
Sycamore Creek Solar, LLC
Tejano Storage, LLC
Thacker Solar, LLC
The Brooklyn Union Gas Company[6]
Torchlight Solar, LLC[4]
Transgas Inc.[1]
Tri-City Solar, LLC
Trout Lily Wind Farm, LLC
Uintah Solar, LLC
Ulysses Crossing Solar, LLC
Upper Hudson Development, Inc.[6]
Valley Solar, LLC
Vermont Green Line Devco, LLC (90%)[3]
Violet Storage, LLC
Virtue Solar, LLC
Vivid Solar, LLC
Wallowa Solar, LLC
Wayfinder Group, Inc.[1]
White Elm Wind Farm, LLC
Wildcat Ridge Wind Farm, LLC
Wilder Solar, LLC
Willard Solar, LLC
Williams County Solar, LLC
Wiregrass Solar, LLC
Woodlands Solar, LLC
Worthington Solar, LLC
Young County Solar, LLC

Incorporated in Guernsey

Registered office: KPMG Advisory Limited, Glategny Court, Glategny Esplanade, St. Peter Port, GY1 1WR, Guernsey

NG Electricity Distribution Limited[*†]

Incorporated in the Isle of Man

Registered office: Third Floor, St George's Court, Upper Church Street, Douglas, IM1 1EE, Isle of Man, UK

National Grid Insurance Company (Isle of Man) Limited

Incorporated in Jersey

Registered office: 22 Grenville Street, St. Helier, JE4 8PX, Jersey

Project SPV (Jersey) Investment Limited (89%)[†]

Incorporated in Luxembourg

Registered office: 412F, Route d'Esch, L-2086, Luxembourg, Grand Duchy of Luxembourg

National Grid Luxembourg SARL

1. Registered office: Corporation Service Company, 84 State Street, Boston MA 02109, USA.
2. Registered office: Corporation Service Company, 10 Ferry Street, Suite 313, Concord NH 03301, USA.
3. Registered office: Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, USA.
4. Registered office: 8400 Normandale Lake Blvd., Suite 1200, Bloomington MN 55437, USA.
5. Registered office: National Registered Agents Inc., 30600 Telegraph Road, Suite 2345, Bingham Farms MI 48025, USA.
6. Registered office: Corporation Service Company, 80 State Street, Albany NY 12207, USA.
7. Registered office: Corporation Trust Company, 1209 Orange Street, Wilmington DE 19801, USA.
8. Registered office: 100 Bank Street, Suite 630, Burlington, Chittenden County VT 05401, USA.
9. Registered office: National Registered Agents, Inc., 301 S. Bedford Street, Suite 1, Madison WI 53703, USA.
10. Registered office: Corporation Service Company, 222 Jefferson Boulevard, Suite 200, Warwick RI 02888, USA.
11. Registered office: National Registered Agents, Inc., 1999 Bryan Street, Dallas TX 75201, USA.

* In liquidation.

† Entity is tax resident in the UK.

34. Subsidiary undertakings, joint arrangements and associates continued

Joint ventures

A list of the Group's joint ventures as at 31 March 2025 is given below. All joint ventures are included in the Group's financial statements using the equity method of accounting.

Incorporated in England and Wales

Registered office: 1–3 Strand, London, WC2N 5EH, UK (unless stated otherwise in footnotes).

BritNed Development Limited (50%)**
National Places LLP (50%)[1]*
Nemo Link Limited (50%)

Incorporated in the US

Registered office: Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, USA (unless stated otherwise in footnotes).

Clean Energy Storage Systems LLC (50%)
Community Offshore Wind, LLC (27.27%)[2]
Emerald Energy Venture, LLC (51%)
Island Park Energy Center, LLC (50%)
LI Energy Storage System, LLC (50%)
LI Solar Generation, LLC (50%)

Incorporated in France

Registered office: 1 Terrasse Bellini, Tour Initiale, TSA 41000 – 9291, Paris La Defense, CEDEX, France.

IFA2 (50%)*

Joint operations

A list of the Group's incorporated joint operations as at 31 March 2025 is given below. All joint operations are included in the Group's financial statements under IFRS 11 Joint arrangements.

Incorporated in England and Wales

Registered office: 1–3 Strand, London, WC2N 5EH, UK (unless stated otherwise in footnotes).

Eastern Green Link 1 Limited (50%)
Eastern Green Link 2 Limited (50%)[3]
NGET/SPT Upgrades Limited (50%)†

Associates

A list of the Group's associates as at 31 March 2025 is given below. Unless otherwise stated, all associates are included in the Group's financial statements using the equity method of accounting.

Incorporated in England and Wales

Registered office: Friars House, Manor House Drive, Coventry, CV1 2TE, UK.

Joint Radio Company Limited (25%)***

Incorporated in the US

Registered office: The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA (unless stated otherwise in footnotes).

Clean Line Energy Partners LLC (32%)
Connecticut Yankee Atomic Power Company (19.5%)[4]
Direct Global Power Inc. (26%)
Energy Impact Fund LP (9.41%)[5]
KHB Venture LLC (33.33%)[6]
Maine Yankee Atomic Power Company (24%)[7]
New York Transco LLC (28.3%)[8]
The Hive IV, LLC (28.2%)
Yankee Atomic Electric Company (34.5%)[9]

Other investments

A list of the Group's other investments as at 31 March 2025 is given below.

Incorporated in England and Wales

Registered office: 1 More London Place, London SE1 2AF, UK.

Energis plc (33.06%)*

Registered office: Third Floor, Northumberland House, 303–306 High Holborn, London, WC1V 7JZ.

Electralink Limited (27.04%)

1. Registered office: 305 Gray's Inn Road, London, England, WC1X 8QR.
2. Registered office: The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA.
3. Registered office: No.1 Forbury Place, 43 Forbury Road, Reading, RG1 3JH, UK.
4. Registered office: Carla Pizzella, 362 Injun Hollow Road, East Hampton CT 06424-3099, USA.
5. Registered office: Harvard Business Services, Inc., 16192 Coastal Highway, Lewes DE 19958, USA.
6. Registered office: c/o de maximis, inc., 135 Beaver Street, 4th Floor, Waltham MA 02452, USA.
7. Registered office: Joseph D Fay, 321 Old Ferry Road, Wiscasset ME 04578, USA.
8. Registered office: Corporation Service Company, 80 State Street, Albany NY 12207, USA.
9. Registered office: Karen Sucharzewski, 49 Yankee Road, Rowe MA 01367, USA.

* In liquidation.
** National Grid Interconnector Holdings Limited owns 284,500,000 €0.20 C Ordinary shares and one £1.00 Ordinary A share.
*** National Grid Electricity Transmission plc owns one £0.50 A Ordinary share.
† National Grid Electricity Transmission plc owns 50 £1.00 A Ordinary shares.
‡ In administration.

Our interests and activities are held or operated through the subsidiaries, joint arrangements or associates as disclosed above. These interests and activities (and their branches) are established in – and subject to the laws and regulations of – these jurisdictions.

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 supported by guarantees issued by National Grid plc over their liabilities for the year ended 31 March 2025:

Company name	Company number
National Grid Holdings Limited	3096772
National Grid International Limited	2537092
National Grid (US) Holdings Limited	2630496
National Grid (US) Investments 4 Limited	3867128
National Grid (US) Partner 1 Limited	4314432
NG Nominees Limited*	2489329

Notes to the consolidated financial statements continued

35. Sensitivities

In order to give a clearer picture of the impact on our results or financial position of potential changes in significant estimates and assumptions, the following sensitivities are presented. These sensitivities are based on assumptions and conditions prevailing at the year end and should be used with caution. The effects provided are not necessarily indicative of the actual effects that would be experienced because our actual exposures are constantly changing.

The sensitivities in the tables below show the potential impact in the income statement (and consequential impact on net assets) for a reasonably possible range of different variables, each of which has been considered in isolation (i.e. with all other variables remaining constant). There are a number of these sensitivities which are mutually exclusive, and therefore if one were to happen another would not, meaning a total showing how sensitive our results are to these external factors is not meaningful.

The sensitivities included in the tables below broadly have an equal and opposite effect if the sensitivity increases or decreases by the same amount unless otherwise stated.

(a) Sensitivities on areas of estimation uncertainty

The table below sets out the sensitivity analysis for certain areas of estimation uncertainty set out in note 1F. These estimates are those that have a significant risk of resulting in a material adjustment to the carrying values of assets and liabilities in the next year. This includes the impact of changes in assumptions on the net assets recognised at the balance sheet date and the amount charged to the income statement for the following year. Note that the sensitivity analysis for the useful economic lives of our gas network assets is included in note 13.

	2025			2024		
	Assumptions used	**Income statement £m**	**Net assets £m**	Assumptions used	Income statement £m	Net assets £m
Pensions and other post-retirement benefit liabilities (pre-tax):						
UK discount rate change[1]	**1%**	**20**	**920**	1%	22	1,147
US discount rate change[1]	**1%**	**18**	**784**	1%	18	801
UK inflation rate change[2]	**1%**	**6**	**701**	1%	8	902
UK long-term rate of increase in salaries change	**1%**	**1**	**52**	1%	4	81
US long-term rate of increase in salaries change	**1%**	**3**	**46**	1%	2	37
UK change to life expectancy at age 65[3]	**one year**	**—**	**320**	one year	2	402
US change to life expectancy at age 65	**one year**	**2**	**181**	one year	2	288
Assumed US healthcare cost trend rates change	**1%**	**19**	**245**	1%	18	276
US environmental provision:						
Change in the real discount rate	**1%**	**155**	**155**	1%	173	173
Change in estimated future cash flows	**20%**	**413**	**413**	20%	462	462

1. A change in the discount rate is likely to be driven by changes in bond yields and, as such, would be expected to be offset to a significant degree by a change in the value of the bond assets held by the plans. In the UK, there would also be a £288 million (2024: £171 million) net assets offset from the buy-in policies, where the accounting value of the buy-in asset is set equal to the associated liabilities.
2. The projected impact resulting from a change in RPI reflects the associated effect on escalation rates for pensions in payment and in deferment and future salary increases. The buy-in policies would have a £211 million (2024: £150 million) net assets offset to the above.
3. In the UK, the buy-in policies and in the prior year the longevity swap would have a £109 million (2024: £126 million) net assets offset to the above.

Pensions and other post-retirement benefits assumptions

Sensitivities have been prepared to show how the defined benefit obligations and forecast amounts charged to the income statement for the following year could potentially be impacted by changes in the relevant actuarial assumptions that were reasonably possible as at 31 March 2025. In preparing sensitivities, the potential impact has been calculated by applying the change to each assumption in isolation and assuming all other assumptions remain unchanged. This is with the exception of RPI in the UK where the corresponding change to increases to pensions in payment, increases to pensions in deferment and increases in salary are recognised.

(b) Sensitivities on financial instruments

We are further required to show additional sensitivity analysis under IFRS 7 and this is shown separately in the following table due to the additional assumptions that are made in order to produce meaningful sensitivity disclosures. The analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

Our net debt as presented in note 29 is sensitive to changes in market variables, primarily being UK and US interest rates, the UK inflation rate and the dollar to sterling exchange rate. These impact the valuation of our borrowings, deposits and derivative financial instruments. The analysis illustrates the sensitivity of our financial instruments to reasonable possible changes in these market variables.

35. Sensitivities continued

(b) Sensitivities on financial instruments continued

The following main assumptions were made in calculating the sensitivity analysis for continuing operations:

- the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives portfolio, and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 March 2025 and 2024 respectively;
- the statement of financial position sensitivity to interest rates relates to items presented at their fair values: derivative financial instruments; and our investments measured at FVTPL and FVOCI. Further debt and other deposits are carried at amortised cost and so their carrying value does not change as interest rates move;
- the sensitivity of interest expense to movements in interest rates is calculated on net floating rate exposures on debt, deposits and derivative instruments;
- changes in the carrying value of derivatives from movements in interest rates of designated cash flow hedges are assumed to be recorded fully within equity; and
- changes in the carrying value of derivative financial instruments designated as net investment hedges from movements in interest rates are presented in equity as costs of hedging, with a one-year release to the income statement. The impact of movements in the dollar to sterling exchange rate is recorded directly in equity.

	2025			2024		
	Assumptions used	**Income statement £m**	**Other equity reserves £m**	Assumptions used	Income statement £m	Other equity reserves £m
Financial risk (post tax):						
UK inflation change[1]	**1%**	**35**	**–**	1%	36	–
UK interest rates change	**1%**	**13**	**376**	1%	24	304
US interest rates change	**1%**	**18**	**134**	1%	5	39
US dollar exchange rate change[2]	**10%**	**69**	**225**	10%	58	268

1. Excludes sensitivities to LPI curve. Further details on sensitivities are provided in note 32(g).
2. The other equity reserves impact does not reflect the exchange translation in our US subsidiaries' net assets. It is estimated this would change by £1,730 million (2024: £1,680 million) in the opposite direction if the dollar exchange rate changed by 10%.

Our commodity contract derivatives are sensitive to price risk. Additional sensitivities in respect to commodity price risk and to our derivative fair values are as follows:

	2025			2024		
	Assumptions used	**Income statement £m**	**Net assets £m**	Assumptions used	Income statement £m	Net assets £m
Commodity price risk (post tax):						
Increase in commodity prices	**10%**	**62**	**62**	10%	43	43
Decrease in commodity prices	**10%**	**(61)**	**(61)**	10%	(43)	(43)
Assets and liabilities carried at fair value (post tax):						
Fair value change in derivative financial instruments[1]	**10%**	**(57)**	**(57)**	10%	(59)	(59)
Fair value change in commodity contract derivative liabilities	**10%**	**3**	**3**	10%	(6)	(6)

1. The effect of a 10% change in fair value assumes no hedge accounting.

36. Post balance sheet events

On 6 May 2025, NGG Finance plc issued an irrevocable notice of redemption for the £1 billion 5.625% fixed rate resettable capital securities. This was to redeem all outstanding securities on the first optional redemption date of 8 June 2025. The maturity of the securities as at the reporting date was 18 June 2073. In light of this information, the Group estimates that the financial effect of the settlement of this liability for cash in full is the face value of the borrowing as well as the interest accrued, which amounted to £1,044 million as at 31 March 2025.

Company accounting policies

We are required to include the standalone balance sheet of our ultimate Parent Company, National Grid plc, under the Companies Act 2006.

A. Basis of preparation

National Grid plc is the Parent Company of the National Grid Group, which is engaged in the transmission and distribution of electricity and gas in Great Britain and northeastern US. The Company is a public limited company, limited by shares. The Company is incorporated and domiciled in England, with its registered office at 1–3 Strand, London, WC2N 5EH.

The financial statements of National Grid plc for the year ended 31 March 2025 were approved by the Board of Directors on 14 May 2025. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, these individual financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). In preparing these financial statements the Company applies the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the UK, but makes amendments where necessary in order to comply with the provisions of the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken.

These individual financial statements have been prepared on a historical cost basis, except for the revaluation of financial instruments, and are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates. The comparative financial information has also been prepared on this basis.

These individual financial statements have been prepared on a going concern basis, which presumes that the Company has adequate resources to remain in operation and that the Directors intend it to do so, for at least one year from the date the financial statements are signed. As the Company is part of a larger group, it participates in the Group's centralised treasury arrangements and so shares banking arrangements with its subsidiaries. The Company is expected to generate positive cash flows or be in a position to obtain liquidity via its committed credit facilities to continue to operate for the foreseeable future.

In accordance with the exemption permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account or statement of comprehensive income.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements of the Company in accordance with FRS 101:
- a cash flow statement and related notes;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management; and
- the effects of new but not yet effective IFRS standards.

The exemption from disclosing key management personnel compensation has not been taken as there are no costs borne by the Company in respect of employees, and no related costs are recharged to the Company.

As the consolidated financial statements of National Grid plc, which are available from the registered office, include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 in respect of certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

There are no areas of judgement or key sources of estimation uncertainty that are considered to have a significant effect on the amounts recognised in the financial statements.

The balance sheet has been prepared in accordance with the Company's accounting policies approved by the Board and described below.

B. Fixed asset investments

Investments held as fixed assets are stated at cost less any provisions for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Recoverable amount is the higher of its fair value less costs of disposal and its value-in-use. The Company accounts for common control transactions at cost.

C. Tax

Current tax for the current and prior periods is provided at the amount expected to be paid or recovered using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on temporary differences which result in an obligation at the balance sheet date to pay more tax, or the right to pay less tax, at a future date, at tax rates expected to apply when the temporary differences reverse based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is provided for using the balance sheet liability method and is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

D. Foreign currencies

Transactions in currencies other than the functional currency of the Company are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at closing exchange rates. Gains and losses arising on retranslation of monetary assets and liabilities are included in the profit and loss account.

E. Financial instruments

The Company's accounting policies are the same as the Group's accounting policies under IFRS, namely IAS 32 'Financial Instruments: Presentation', IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures'. The Company applies these policies only in respect of the financial instruments that it has, namely investments, derivative financial instruments, debtors, cash at bank and in hand, borrowings and creditors.

The policies are set out in notes 15, 17, 19, 20, 21 and 22 to the consolidated financial statements. The Company is taking the exemption for financial instruments disclosures, because IFRS 7 disclosures are given in notes 32 and 35 to the consolidated financial statements.

F. Hedge accounting

The Company applies the same accounting policy as the Group in respect of fair value hedges and cash flow hedges. This policy is set out in note 32 to the consolidated financial statements.

G. Parent Company guarantees

The Company has guaranteed the repayment of the principal sum, any associated premium and interest on specific loans due by certain subsidiary undertakings primarily to third parties. Such guarantees are accounted for by the Company as insurance contracts.

H. Share awards to employees of subsidiary undertakings

The issuance by the Company to employees of its subsidiaries of a grant over the Company's options represents additional capital contributions by the Company to its subsidiaries. An additional investment in subsidiaries results in a corresponding increase in shareholders' equity. The additional capital contribution is based on the fair value of the option at the date of grant, allocated over the underlying grant's vesting period. Where payments are subsequently received from subsidiaries, these are accounted for as a return of a capital contribution and credited against the Company's investments in subsidiaries. The Company has no employees except for the Group's Non-executive Directors (refer to the Directors' Remuneration Report on page 135.

I. Dividends

Interim dividends are recognised when they are paid to the Company's shareholders. Final dividends are recognised when they are approved by shareholders.

J. Directors' remuneration

Full details of Directors' remuneration are disclosed on pages 121 – 149.

Company balance sheet

as at 31 March

	Notes	2025 £m	2024 £m
Fixed assets			
Investments	1	**14,554**	14,517
Current assets			
Debtors (amounts falling due within one year)	2	**14,502**	14,628
Debtors (amounts falling due after more than one year)	2	**101**	79
Investments	5	**4,566**	1,746
Cash at bank and in hand		**1,023**	366
Total current assets		**20,192**	16,819
Creditors (amounts falling due within one year)	3	**(5,148)**	(7,264)
Net current assets		**15,044**	9,555
Total assets less current liabilities		**29,598**	24,072
Creditors (amounts falling due after more than one year)	3	**(8,846)**	(9,053)
Net assets		**20,752**	15,019
Equity			
Share capital	7	**638**	493
Share premium account		**1,292**	1,298
Cash flow hedge reserve		**121**	50
Cost of hedging reserve		**(21)**	(7)
Other equity reserves		**591**	554
Profit and loss account	8	**18,131**	12,631
Total shareholders' equity		**20,752**	15,019

The Company's profit after tax for the year was £318 million (2024: £342 million profit). Profits available for distribution by the Company to shareholders were £18 billion at 31 March 2025. The financial statements of the Company on pages 248 – 254 were approved by the Board of Directors on 14 May 2025 and were signed on its behalf by:

John Pettigrew
Chief Executive

Andy Agg
Chief Financial Officer

National Grid plc
Registered number: 4031152

Company statement of changes in equity

for the years ended 31 March

	Share capital £m	Share premium account £m	Cash flow hedge reserve £m	Cost of hedging reserve £m	Other equity reserves £m	Profit and loss account £m	Total shareholders' equity £m
At 1 April 2023	488	1,302	(53)	2	517	13,992	16,248
Profit for the year[1]	—	—	—	—	—	342	342
Other comprehensive profit/(loss) for the year							
Transferred (from)/to equity (net of tax)	—	—	103	(9)	—	—	94
Total comprehensive (loss)/profit for the year	—	—	103	(9)	—	342	436
Other equity movements							
Scrip dividend-related share issue[2]	5	(6)	—	—	—	—	(1)
Issue of treasury shares	—	—	—	—	—	21	21
Transactions in own shares	—	2	—	—	—	(6)	(4)
Share awards to employees of subsidiary undertakings	—	—	—	—	37	—	37
Equity dividends	—	—	—	—	—	(1,718)	(1,718)
At 31 March 2024	493	1,298	50	(7)	554	12,631	15,019
Profit for the year[1]	—	—	—	—	—	318	318
Other comprehensive profit/(loss) for the year							
Transferred to/(from) equity (net of tax)	—	—	71	(14)	—	—	57
Total comprehensive profit/(loss) for the year	—	—	71	(14)	—	318	375
Other equity movements							
Rights issue	135	—	—	—	6,704	—	6,839
Transfer between reserves	—	—	—		(6,704)	6,704	—
Scrip dividend-related share issue[2]	10	(10)	—	—	—	—	—
Issue of treasury shares	—	—	—	—	—	18	18
Transactions in own shares	—	4	—	—	—	(11)	(7)
Share awards to employees of subsidiary undertakings	—	—	—	—	37	—	37
Equity dividends	—	—	—	—	—	(1,529)	(1,529)
At 31 March 2025	**638**	**1,292**	**121**	**(21)**	**591**	**18,131**	**20,752**

1. Included within profit for the year is dividend income from subsidiaries of £nil (2024: £150 million).
2. Included within the share premium account are costs associated with scrip dividends.

Notes to the Company financial statements

1. Fixed asset investments

	Shares in subsidiary undertakings £m
Cost at 1 April 2023	16,900
Additions	37
Cost at 31 March 2024	16,937
Additions	37
Disposals	(2,420)
Cost at 31 March 2025	14,554
Provision at 1 April 2023	(2,420)
Charge for the year	—
Provision at 1 April 2024	(2,420)
Charge for the year	—
Disposals	2,420
Provision at 31 March 2025	—
Net book value at 31 March 2025	**14,554**
Net book value at 31 March 2024	14,517

During the year, there was a capital contribution of £37 million (2024: £37 million), which represents the fair value of equity instruments granted to subsidiaries' employees arising from equity-settled employee share schemes.

The Company's direct subsidiary undertakings as at 31 March 2025 were as follows: National Grid (US) Holdings Limited, National Grid Luxembourg SARL, NGG Finance plc and Project SPV (Jersey) Investment Limited. National Grid (US) Investments 2 Limited and National Grid Hong Kong Limited were dissolved during the year. The names of indirect subsidiary undertakings, joint ventures and associates are included in note 34 to the consolidated financial statements.

The Directors believe that the carrying value of the investments is supported by the fair value of their underlying net assets.

2. Debtors

	2025 £m	2024 £m
Amounts falling due within one year		
Derivative financial instruments (note 4)	**20**	68
Amounts owed by subsidiary undertakings	**14,469**	14,550
Other debtors	**13**	10
	14,502	14,628
Amounts falling due after more than one year		
Derivative financial instruments (note 4)	**101**	79
	101	79

The carrying values stated above are considered to represent the fair values of the assets. For the purposes of the impairment assessment, loans to subsidiary undertakings are considered low credit risk as the subsidiaries are solvent and are covered by the Group's liquidity arrangements.

Notes to the Company financial statements continued

3. Creditors

	2025 £m	2024[1] £m
Amounts falling due within one year		
Borrowings (note 6)	116	118
Derivative financial instruments (note 4)	119	96
Amounts owed to subsidiary undertakings	4,881	7,017
Other creditors	32	33
	5,148	7,264
Amounts falling due after more than one year		
Borrowings (note 6)	6,964	7,153
Derivative financial instruments (note 4)	222	245
Amounts owed to subsidiary undertakings	1,627	1,641
Deferred tax	33	14
	8,846	9,053
Amounts owed to subsidiary undertakings falling due after more than one year are repayable as follows:		
In 1 to 2 years	–	–
In 2 to 3 years	–	–
In 3 to 4 years	–	–
In 4 to 5 years	–	–
More than 5 years	1,627	1,641
	1,627	1,641

1. The Company adopted the amendments to IAS 1 'Non-current Liabilities with Covenants' and 'Classification of Liabilities as Current or Non-current' during the year and as a result the above maturity table has been amended to be based on the maturity date not the first call date of the debt.

The carrying values stated above are considered to represent the fair values of the liabilities.

4. Derivative financial instruments

The fair values of derivative financial instruments are as follows:

	2025			2024		
	Assets £m	Liabilities £m	Total £m	Assets £m	Liabilities £m	Total £m
Amounts falling due within one year	20	(119)	(99)	68	(96)	(28)
Amounts falling due after more than one year	101	(222)	(121)	79	(245)	(166)
	121	(341)	(220)	147	(341)	(194)

For each class of derivative, the notional contract[1] amounts are as follows:

	2025 £m	2024 £m
Interest rate swaps	(1,801)	(541)
Cross-currency interest rate swaps	(7,247)	(8,154)
Foreign exchange forward contracts	(10,826)	(11,026)
	(19,874)	(19,721)

1. The notional contract amounts of derivatives indicate the gross nominal value of transactions outstanding at the balance sheet date.

5. Investments

	2025 £m	2024 £m
Investments in short-term money funds	4,528	1,696
Restricted balances – collateral	38	50
	4,566	1,746

Notes to the Company financial statements continued

6. Borrowings

The following table analyses the Company's total borrowings:

	2025 £m	2024 £m
Amounts falling due within one year		
Bank loans	60	31
Bonds	56	87
	116	118
Amounts falling due after more than one year		
Bank loans	181	256
Bonds	6,783	6,897
	6,964	7,153
Total borrowings	7,080	7,271

The maturity of total borrowings is as follows:

	2025 £m	2024 £m
Total borrowings are repayable as follows:		
Less than 1 year	116	118
In 1 to 2 years	598	—
In 2 to 3 years	450	549
In 3 to 4 years	1,911	388
In 4 to 5 years	431	2,067
More than 5 years	3,574	4,149
	7,080	7,271

The notional amount of borrowings outstanding as at 31 March 2025 was £7,176 million (2024: £7,375 million).

7. Share capital

The called-up share capital amounting to £638 million (2024: £493 million) consists of 5,132,617,708 ordinary shares of $12^{204}/_{473}$ pence each (2024: 3,967,138,214 ordinary shares of $12^{204}/_{473}$ pence each). For further information on share capital, refer to note 27 of the consolidated financial statements.

8. Shareholders' equity and reserves

At 31 March 2025, the profit and loss account reserve stood at £18,131 million (2024: £12,631 million), of which profits available for distribution by the Company to shareholders were £18 billion (2024: £12.5 billion).

For further details of dividends paid and payable to shareholders, refer to note 9 of the consolidated financial statements.

9. Parent Company guarantees

The Company has guaranteed the repayment of the principal sum, any associated premium and interest on specific loans due by certain subsidiary undertakings primarily to third parties. At 31 March 2025, the sterling equivalent amounted to £1,972 million (2024: £2,384 million). The guarantees are for varying terms from less than one year to open-ended.

In addition, a guarantee covering insolvency or failure to pay pension obligations has been provided to Section A of the National Grid UK Pension Scheme by National Grid plc, National Grid Holdings One plc and Lattice Group Limited. The guarantee covers all obligations and payments due to Section A. No explicit allowance has been made for this guarantee in the financial statements because of Section A's funding level, where the Trustee estimated Section A to be in surplus on a buyout measure at 31 December 2024 and contribution requirements are forecast to be minimal over the coming years. For more information on this guarantee, refer to note 25 of the consolidated financial statements.

10. Audit fees

The audit fee in respect of the Parent Company was £34,000 (2024: £34,000). Fees payable to Deloitte for non-audit services to the Company are not required to be disclosed as they are included within note 4 to the consolidated financial statements.

11. Post balance sheet events

On 6 May 2025, the Company decided to redeem its £1 billion subordinated term loan to NGG Finance plc. This was in connection with NGG Finance plc's decision to redeem all of its £1 billion 5.625% fixed rate resettable capital securities (see note 36 to the consolidated accounts). The maturity of the loan as at the reporting date was 18 June 2073. The Company estimates that the financial effect of the settlement of this liability for cash in full is the face value of the borrowing as well as the interest accrued, which amounted to £1,044 million as at 31 March 2025.

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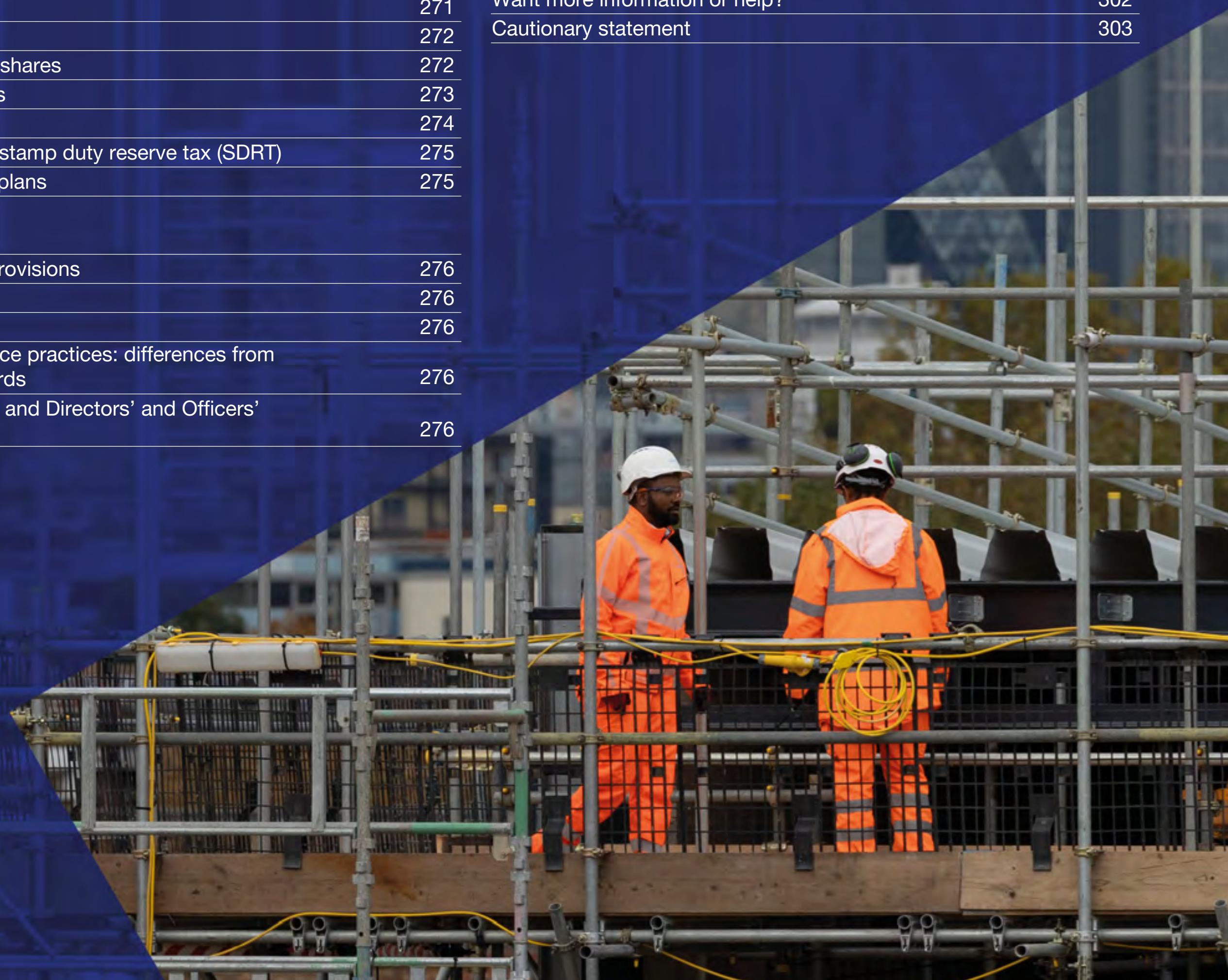


The business in detail

UK regulation

Regulators

Our licences to participate in transmission, distribution and interconnection activities are established under the Electricity Act 1989. These require us to develop, maintain and operate economic and efficient networks and to facilitate competition in the supply of electricity in GB. They also give us statutory powers, including the right to bury our pipes or cables under public highways and the ability to use compulsory powers to purchase land so we can conduct our business.

Our licensed activities are regulated by Ofgem, which has a statutory duty under the Electricity Act 1989 to protect the interests of consumers. To protect consumers from the ability of companies to set unduly high prices, Ofgem has established price controls that limit the amount of revenue such regulated businesses can earn. In setting price controls, Ofgem must have regard to the need to secure that licence holders are able to finance their obligations under the Electricity Act 1989. This should give us a level of revenue for the duration of the price control that is sufficient to meet our statutory duties and licence obligations with a reasonable return on our investments. Licensees and other affected parties can appeal price controls or within period licence modifications which have errors, including in respect of financeability.

Each of our UK ET and UK ED businesses operate under separate price controls, which cover our roles as Transmission Owner (TO) and Distribution Network Operator (DNO). UK ET fulfils the TO function for electricity and UK ED fulfils the DNO activities.

The transmission and distribution businesses follow the RIIO (Revenue = Incentives + Innovation + Outputs) framework established by Ofgem. There are multiple price controls under this framework, including:

- RIIO-T1 (electricity transmission, April 2013 – March 2021);
- RIIO-T2 (electricity transmission, April 2021 – March 2026);
- RIIO-ED1 (electricity distribution, April 2015 – March 2023); and
- RIIO-ED2 (electricity distribution, April 2023 – March 2028).

TOs and DNOs in the UK are natural monopolies and, to ensure value for money for consumers, UK ET and ED are regulated by Ofgem. The operations are regulated under the respective transmission and distribution licences which set the requirements that UK ET and ED need to deliver for their customers. In addition to the base level of revenue which the TOs and DNOs are allowed to earn, there are incentives to innovate and deliver various outputs relating to customer service, network performance, the environment, connections, DSO activities and efficiency. The achievement or not of targets in relation to these activities can result in rewards or penalties.

In addition to two regulated network price controls, there is also a tariff cap and floor price control applied to regulation of our electricity interconnector interests.

RIIO price controls

Under RIIO, the outputs we deliver are explicitly articulated and our allowed revenues are linked to their delivery, although some outputs and deliverables have only a reputational impact, penalty only mechanism or are linked to legislation. These outputs reflect what our stakeholders have told us they want us to deliver and were determined through an extensive consultation process, which gave stakeholders a greater opportunity to influence the decisions.

Using information we have submitted and, along with independent assessments, Ofgem determines the efficient level of expected costs necessary for these deliverables to be achieved. Under RIIO, this is known as 'totex', which is a component of total allowable expenditure and is broadly the sum of what was defined in previous price controls as operating expenditure (opex) and capital expenditure (capex).

A number of assumptions are necessary in setting allowances for the outputs that we will deliver, including the volumes of work that will be needed and the price of the various external inputs required to achieve them. Consequently, there are a number of uncertainty mechanisms within the RIIO framework designed to protect consumers and network companies by avoiding the need to set allowances when future needs and costs are uncertain.

Where we under- or over-spend the allowed totex for reasons that are not covered by uncertainty mechanisms, there is a 'sharing' factor. This means we share the under- or over-spend with customers through an adjustment to allowed revenues in future years. This sharing factor provides an incentive for us to provide the outputs efficiently, as we are able to keep a portion of savings we make, with the remainder benefitting our customers. Likewise, it provides a level of protection for us if we need to spend more than allowances. Alongside this, there are several specific areas where companies can submit further claims for new allowances within the period, for instance to enable net zero.

Allowed revenue to fund totex costs is split between RIIO 'fast' and 'slow' money categories using specified ratios that are fixed for the duration of the price control. Fast money represents the amount of totex we are able to recover in the year of expenditure. Slow money is added to our RAV – effectively the regulatory IOU.

For more details on the sharing factors under RIIO for our transmission businesses, please see the tables on page 257.

Regulation of UK ED: The RIIO-ED2 price control

RIIO-ED2, covering the period 1 April 2023 – 31 March 2028, is the second electricity distribution price control to be set under the RIIO model. It builds on from the framework established in the first price control, RIIO-ED1, that ran for 8 years from 1 April 2015 to 31 March 2023.

Our RIIO-ED2 business plan was co-created with our stakeholders, through our largest ever stakeholder consultation process with the broadest range of representatives. In order to enable us to actively drive the nation's move to decarbonisation, our RIIO-ED2 business plan has been designed to achieve four crucial outcomes for our customers:

- **Affordability:** We aim to continue to deliver high standards of safety, reliability and customer service that customers have come to expect from us, while keeping our portion of consumer bills affordable.
- **Sustainability:** We will support the UK's ambitions to achieve net zero carbon emissions by 2050, driving crucial changes in energy usage and customer green behaviour. We will set the benchmark by achieving net zero in our own operations by 2043 (excluding Scope 3 emissions) and we will work towards ensuring the network is ready to enable local authorities to achieve similar ambitions in their regions. We will also actively work with industry and Government to achieve 'Clean Power 30', within which at least 95% of the country's generation will come from clean sources including renewables. This will see both UK ET and UK ED actively engaging with areas of reform to ensure that the grid is decarbonised in a sustainable way.
- **Connectability:** We will strive to ensure that a lack of network capacity is not a barrier for our customers. We will ensure that the network can cater for the increasing demand of low carbon technologies and renewable energy over the next five years, while recognising that the generation mix needs to be balanced to retain resilience for security of supply. We will actively work with Ofgem and industry to reform the Connections processes, including continuing engagement on a review of the End-to-End Connections journey. This will ensure that the connections process meets customer need, while enabling investment ahead of need to support decarbonisation.
- **Vulnerability**: We will aim to deliver a first class programme of inclusive support. This will include offering smart energy action plans for vulnerable customers each year, ensuring no one is left behind in a smart future. We will also strive to more than double our ground breaking fuel poverty support to help at least 113,000 fuel poor customers save £60 million on their energy bills over RIIO-ED2.

Regulation of UK ET: The RIIO-T2 price control

The RIIO-T2 price control started on 1 April 2021 and builds on the framework established for RIIO-T1. For example, it introduced a range of new mechanisms to facilitate the transition to net zero, continues support for innovation, incentivises us to deliver outputs and service quality with ambitious targets aligned to our customers' and stakeholders' requirements and increases the opportunity to secure new funding within the price control period.

The Independent User Group (IUG) includes a cross-section of the energy industry and represents the interests of consumers, environmental and public interest groups, as well as large-scale and small-scale customers. It was established in July 2018 to ensure stakeholders are at the heart of our decision-making processes and our plan is fully reflective of customers', consumers' and other stakeholders' requirements.

The IUG has an enduring role in RIIO-T2 with three key focus areas:

- scrutinise and challenge the periodic business plans;
- monitor, interrogate and help the business to enhance transparency of performance against commitments; and
- act as a 'critical friend' for strategy, culture and processes in key areas such as stakeholder engagement, innovation, customers, consumers and responsible businesses.

Competition in onshore transmission

We continue to support onshore competition where it can deliver benefits to consumers. The wider landscape has shifted significantly since competition in onshore networks was first considered, and continues to do so, particularly around the move to centralised network planning arrangements. We think it is crucial that the competition framework is designed in the right way to incentivise innovation on design, ensure timely and robust delivery and deliver benefits to customers. We are working closely with NESO, DESNZ and Ofgem to support the development of the competition framework, ensuring that this is aligned with the wider landscape, and to support identification of a suitable pipeline of projects. We support the ambition to tender a suitable pilot project in Q4 2025 which should be used to test the framework and to apply learnings for future tenders.

Key parameters from Ofgem's RIIO-ED2 determination for UK ED and RIIO-T2 determination for UK ET

	UK ED	UK ET
Allowed Return on Equity (RoE)[1]	5.28 – 5.59% (real, relative to CPIH) at 60% gearing	4.25 – 5.20% (real, relative to CPIH) at 55% gearing (4.52 – 5.59% at 60% gearing)
Allowed debt funding	Calculated and updated each year using 17-year trailing average of iBoxx Utilities 10+ year index, plus 25bps additional cost of borrowing, 55bps calibration adjustments, plus 6bps infrequent issuer premium for West Midlands, South Wales and South West	Calculated and updated each year using an extending 'trombone-like' trailing average of iBoxx Utilities 10+ year index (increases from 10 years for 2021/22 to 14 years for 2025/26), plus 25bps additional borrowing costs
Depreciation of RAV	Straight-line 45-year depreciation	No change in policy: straight-line over 45 years for post-2021 RAV additions, with pre-2021 RAV additions as per RIIO-T1
Notional gearing	60%	55%
Split between fast/slow money	Capitalisation rate 1 slow money 77% – 79% Capitalisation rate 2 slow money 85%	Fast: RIIO-T2 baseline 22%; RIIO-T2 uncertainty mechanisms 15% Slow: RIIO-T2 baseline 78%; TO uncertainty mechanisms 85%
Sharing factor	50%	33%
Core baseline totex (cumulative for the five years of RIIO-ED2 and of RIIO-T2)	£5.9 billion in 2020/21 prices	£5.8 billion

1. The cost of equity in RIIO-ED2 is subject to annual adjustments that are calculated using the Capital Asset Pricing Model, through indexation of the 'risk-free rate' parameter. The range shown above is Ofgem's estimate of the allowed RoE over the five years of RIIO-ED2, as updated in the RIIO-ED2 Price Control Financial Model published in December 2023. The cost of equity in RIIO-T2 is subject to annual adjustments that are calculated using the Capital Asset Pricing Model, through indexation of the 'risk-free rate' parameter. The range shown above is Ofgem's estimate of the allowed RoE over the five years of RIIO-T2, as updated in the RIIO-T2 Price Control Financial Model published in January 2024.

The business in detail continued

Regulation of NESO:

RIIO-2 price controls

NESO, which formed part of the Group for six months of the financial year, had a bespoke regulatory framework under RIIO-2. Modifications to its RIIO-2 price control, including regulatory instructions and guidance and regulatory reporting pack for RIIO-2 took effect on 25 July 2024 to reflect the costs relating to new roles, Future System Operator transition costs, National Grid payments and the introduction of fixed BSUoS tariffs, ahead of the sale by National Grid to DESNZ of NESO on 1 October 2024.

Interconnectors regulation

Interconnectors primarily derive their revenues from sales of capacity to users who wish to move power between market areas with different prices.

Under UK legislation, interconnection businesses must be separate from the transmission businesses.

There is a range of different regulatory models available for interconnector projects. These involve various levels of regulatory intervention, ranging from fully merchant (where the project is fully reliant on sales of interconnector capacity) to cap and floor.

The cap and floor regime is now the regulated route for interconnector investment in GB and may be sought by project developers who do not qualify for, or do not wish to apply for, exemptions from UK and European legislation which would facilitate a merchant development.

Offshore hybrid assets (OHA) combine interconnection with offshore wind. Ofgem established an OHA pilot scheme and decided that an adjusted version of the cap and floor regulatory regime should apply to those projects that receive approval within that scheme. The variations to the interconnector cap and floor regime reflect the differing risks and characteristics of OHAs. In November 2024, Ofgem initially approved the LionLink to the Netherlands project, developed by National Grid Ventures, for a pilot OHA regulatory regime.

US regulation

Regulators

In the US, public utilities' retail transactions are regulated by state utility commissions which serve as economic regulators, approving cost recovery and authorised rates of return. The state commissions establish the retail rates to recover the cost of transmission and distribution services within their jurisdictions. They also serve the public interest by making sure utilities provide safe and reliable services at just and reasonable prices. The commissions establish service standards and approve public utility mergers and acquisitions. State commissions are also asked to approve a variety of programmes and costs related to state energy and climate goals.

At the federal level, FERC regulates wholesale transactions for utilities, such as interstate transmission and wholesale electricity sales, including rates for these services. FERC also regulates public utility holding companies and centralised service companies, including those of our US businesses.

Regulatory process

The US regulatory regime is premised on allowing the utility the opportunity to recover its cost of service and earn a reasonable return on its investments as determined by each commission. Utilities submit formal rate filings (rate cases) to the relevant state regulator when additional revenues are necessary to provide safe, reliable service to customers. Additionally, utilities can be compelled to file a rate case, either due to complaints filed with the commission or at the commission's own discretion.

The rate case is sometimes negotiated with parties representing customers and other interests. The utility is required to prove that the requested rate change is just and reasonable, and the requested rate plan can span multiple years. In the states where we operate, it can typically take 9–13 months for the commission to render a final decision, although, in some instances, rules allow for longer negotiation periods which may extend the length of the rate case proceeding. Unlike the state processes, FERC, as the federal regulator, has no specified timeline for adjudicating a rate case; typically it makes a final decision retroactively when the case is completed.

Gas and electricity rates are established from a revenue requirement, or cost of service, equal to the utility's total cost of providing distribution or delivery services to its customers, as approved by the commission in the rate case. This revenue requirement includes operating expenses, depreciation, taxes, and a fair and reasonable return on shareholder capital invested in certain components of the utility's regulated asset base or 'rate base'.

The final revenue requirement and rates for service are approved in the rate case decision. The revenue requirement is derived from a comprehensive study of the utility's total costs during a representative 12-month period, referred to as a test year. Each commission has its own rules and standards for adjustments to the test year. These may include forecast capital investments and operating costs.

Our rate plans

Each operating company has a set of rates for service. We have three electric distribution operating companies: (1) Niagara Mohawk Power Corporation, with operations in upstate New York; (2) Massachusetts Electric Company; and (3) Nantucket Electric Company, the latter two having operations in Massachusetts.

We also have four gas distribution operating companies: (1) Niagara Mohawk Power Corporation, with operations in upstate New York; (2) Brooklyn Union Gas Company, with operations in downstate New York; (3) KeySpan Gas East Corporation, with operations in downstate New York; and (4) Boston Gas Company, with operations in Massachusetts.

Our distribution operating companies have revenue decoupling mechanisms that delink their revenues from the quantity of energy delivered and billed to customers. These mechanisms remove the natural disincentive utility companies have for promoting and encouraging customer participation in energy-efficiency programmes that lower energy end-use and distribution volumes.

We bill our customers for their use of electricity and gas services. Customer bills typically cover the cost of the commodity (electricity or gas delivered) and charges covering our delivery service. Our customers are allowed to select an unregulated competitive supplier for the commodity component of electricity and gas utility services.

A substantial proportion of our costs, in particular electricity and gas commodity purchases, are pass-through costs, fully recoverable from our customers. We recover pass-through costs through making separate charges to customers, designed to recover those costs with no profit. We adjust the charges from time to time, often annually to make sure that any over- or under-recovery of these costs is returned to, or recovered from, our customers. Our rate plans are designed to a specific allowed RoE, by reference to an allowed operating expense level and rate base. Some rate plans include earnings-sharing mechanisms that allow us to retain a proportion of the earnings above our allowed RoE, achieved through improving efficiency, with the balance benefiting customers. In addition, our performance under certain rate plans is subject to service performance targets. We may be subject to monetary penalties in cases where we do not meet those targets.

Our FERC-regulated transmission companies use formula rates (instead of periodic stated rate cases) to set rates annually that recover their cost of service. Through the use of annual true-ups, formula rates recover our actual costs incurred and the allowed RoE based on the actual transmission rate base each year. We must make annual formula rate filings documenting the revenue requirement that customers can review and challenge.

Revenue for our wholesale transmission businesses in New England and New York is collected from wholesale transmission customers. These are typically other utilities and include our own New England electricity distribution businesses. With the exception of upstate New York, which continues to combine retail transmission and distribution rates to end-use customers, these wholesale transmission costs are generally incurred by distribution utilities on behalf of their customers. They are fully recovered as a pass-through from end-use customers, as approved by each state commission.

Our Long Island generation plants sell capacity to the LIPA under 15-year and 25-year power supply agreements and within wholesale tariffs approved by FERC.

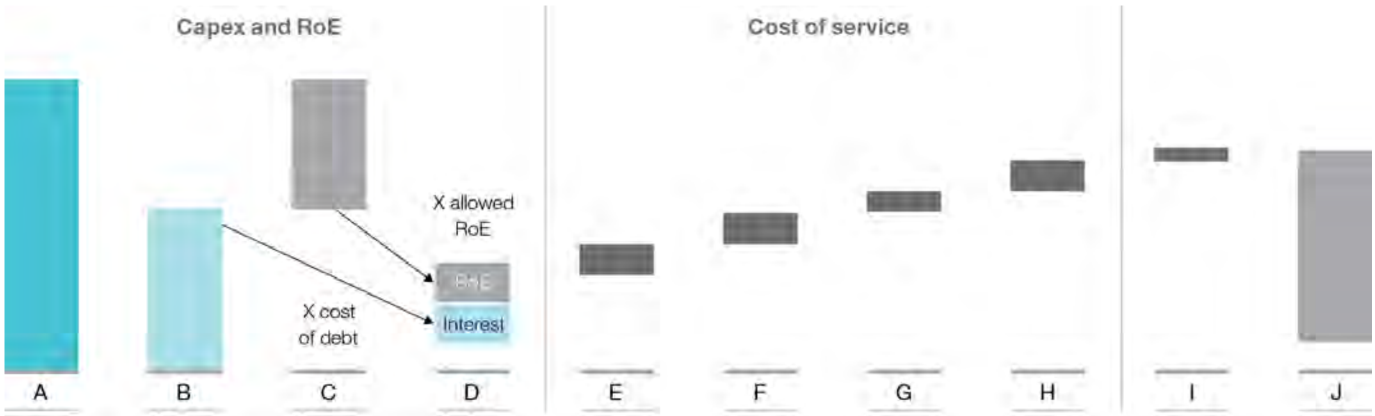
Through the use of cost-based formula rates, these long-term contracts provide a similar economic effect to cost-of-service rate regulation.

One measure used to monitor the performance of our regulated businesses is a comparison of achieved RoE to allowed RoE. However, this measure cannot be used in isolation, as several factors may prevent us from achieving the allowed RoE. These include financial market conditions, regulatory lag (e.g. the time period after a rate or expense is approved for recovery but before we collect the same from customers) and decisions by the regulator preventing cost recovery in rates from customers.

We work to increase achieved RoE through:

- productivity improvements;
- positive performance against incentives or earned savings mechanisms, such as available energy-efficiency programmes; and
- filing a new rate case when achieved returns are lower than those the Company could reasonably expect to attain through a new rate case.

US regulatory revenue requirement



A Rate base
B Debt
C Equity
D Return
E Controllable costs
F Non-controllable costs
G Depreciation
H Taxes
I Lagged recoveries
J Allowed revenue

US regulatory filings

The objectives of our rate case filings are to make sure we have the right cost of service and are able to earn a fair and reasonable rate of return, while providing a safe, reliable and affordable service. To achieve these objectives and reduce regulatory lag, we have been successful in many cases in obtaining relief, such as:

- revenue-decoupling mechanisms;
- capital trackers;
- commodity-related bad debt true-ups;
- pension and other post-employment benefit true-ups, separately from base rates; and
- performance-based frameworks such as incentives and multi-year plans.

We explain these terms in the table on page 261.

Recent developments in rate filings and the regulatory environment are:

New York

- Niagara Mohawk filed a joint proposal setting forth a three-year rate plan with the NYPSC in April 2025.
- A joint proposal setting forth a three-year rate plan for KEDNY and KEDLI was approved by the NYPSC in August 2024.

Massachusetts

- In November 2023, we made a full rate case filing for Massachusetts Electric Company and Nantucket Electric Company resulting in a five-year ratemaking plan in September 2024.
- In November 2020, we made a full rate case filing for Boston Gas Company resulting in a five-year performance-based ratemaking plan in September 2021.

The business in detail continued

Massachusetts

Massachusetts Electric Company and Nantucket Electric Company rate cases

On 30 September 2024, the MADPU issued its order on our petition for an increase in electric base distribution rates for Massachusetts Electric Company and Nantucket Electric Company.

The MADPU approved a five-year rate plan with new rates effective 1 October 2024, an allowed Return on Equity of 9.35% on an equity ratio of 52.83% and a revenue increase of $90.2 million. The order also introduced a new regulatory recovery mechanism that provides timely funding for growing capital investment requirements up to a cap, alongside a performance based ratemaking (PBR-O) recovery mechanism for operating and maintenance costs. Additionally, it approved a multi-tiered low-income discount rate along with performance incentives for low-income programme enrolment and distributed energy resources (DER) interconnections.

Boston Gas Company rate case

On 30 September 2021, the MADPU issued an order in Boston Gas Company's most recent rate case. The MADPU decision: (1) allowed an increase in base revenues of $144.86 million, as compared with the request for $220.74 million; (2) authorised an RoE of 9.7%, raised from the previous RoE of 9.5%; (3) authorised a capital structure of 53.44% equity and 46.56% debt; and (4) allowed for recovery of the costs of 133 new, incremental full-time employees. The decision also approved the Boston Gas Company's proposed five-year performance-based ratemaking plan which adjusts distribution rates annually based on a predetermined formula. Boston Gas Company had also presented its Future of Heat proposals to address Massachusetts' ambitious greenhouse gas emissions reduction goals. These proposals are innovative programmes and demonstration projects that the Boston Gas Company has developed to reduce emissions, promote gas demand response, and encourage the development of sustainable heating options and new technologies to advance low-carbon heating solutions. Ultimately, the MADPU elected to remove our Future of Heat proposals from the rate case without prejudice for their consideration as part of other proceedings. Subsequently, on 15 December 2021, the MADPU approved the Boston Gas Company's geothermal district energy demonstration programme for five years with a budget of $15.6 million.

New York

Downstate New York 2023 rate cases – KEDNY and KEDLI

KEDNY and KEDLI rate cases approved by the NYPSC on 15 August 2024 updated our allowed revenues to reflect our cost of service more closely, while maintaining affordable energy for customers. The joint proposal approved by the NYPSC sets forth a three-year rate plan for KEDNY and KEDLI sets forth overall annual revenue requirement increases, including $444 million for KEDNY and $246.5 million for KEDLI for the year ending on 31 March 2025. The joint proposal reflects $1.57 billion in capital investments for KEDNY and KEDLI in the first rate year to modernise KEDNY and KEDLI's gas infrastructure to implement safety improvements, enhance reliability and resilience, replace ageing and leak-prone facilities, and reduce methane emissions. The joint proposal aligns with our 2050 vision to support a sustainable and affordable path towards a low-carbon energy future. Additionally, the joint proposal includes initiatives to expand low-income and energy-efficiency programmes, fund renewable natural gas projects, and enhance customer service.

Upstate New York 2024 rate cases – NMPC

NMPC filed a rate case with the NYPSC on 28 May 2024 seeking to update our allowed revenues to reflect our cost of service more closely, while maintaining affordable energy for customers. A joint proposal setting forth a three-year rate plan for NMPC was filed with the NYPSC on 25 April 2025 setting forth overall annual revenue requirement increases, including electric revenue increases of $288.4 million for the Rate Year One ending 31 March 2026, $141.7 million for the Rate Year Two ending 31 March 2027, and $194.8 million for the Rate Year Three ending 31 March 2028, and gas revenue increases of $91.1 million for the Rate Year One ending 31 March 2026, $31.1 million for the Rate Year Two ending 31 March 2027, $38.6 million for the Rate Year Three ending 31 March 2028. The joint proposal reflects $1,192.7 million in electric capital investments and $392.5 million in gas capital investments in 2024/25 to modernise NMPC electric and gas infrastructure to ensure the reliability and safe operation of the energy delivery system that serves 2.3 million Upstate New York residential and business customers. NMPC's current rate plan will be applicable until this rate proceeding concludes.

Summary of US price controls and rate plans

		2021	2022	2023	2024	2025	2026	2027	Rate base (31 Mar 2025)	Equity-to-debt ratio	Allowed Return on Equity	Achieved Return on Equity (31 Mar 2025)	Revenue decoupling†	Capital tracker‡	Commodity-related bad debt true-up§	Pensio/OPEB true-up◊
NYPSC	Niagara Mohawk[1,6] (upstate, electricity)								$9,232m	48:52	9.0%	7.19%	✓	P	P	✓
	Niagara Mohawk (upstate, gas)								$2,266m	48:52	9.0%	4.64%	✓	P	P	✓
	KEDNY (downstate)[2]								$7,212m	48:52	9.35%	10.52%	P	P	P	✓
	KEDU (downstate)[3]								$4,439m	48:52	9.35%	10.64%	P	P	P	✓
Massachusetts Department of Public Utilities	Massachusetts Electric/Nantucket Electric								$3,766m	53:47	9.35%	8.1%	✓	P	✓	✓
	Massachusetts Gas[5]								$5,407m	53:47	9.7%	8.6%	✓	P	P	✓
Federal Energy Regulatory Commission	Canadian Interconnector/Other[4]								$58m	65:35	11.1%	11.1%	n/a	✓	n/a	✓
	New England Power								$2,937m	60:40	10.6%	11.1%	n/a	✓	n/a	✓

1. Both transmission and distribution, excluding standed costs.
2. KeySpan Energy Delivery New York (the Brooklyn Union Gas Company).
3. KeySpan Energy Delivery Long Island (KeySpan Gas East Corporation).
4. Equity ration and Return on Equity values are for the Canadian Interconnector only.
5. The chart shows the anticipated date rates are to be in effect.
6. National Grid, Department of Public Service Staff, and other settling parties filed a Joint Proposal for a three-year rate plan beginning 1 May 2025 and ending 31 March 2028. The settlement was filed on 25 April 2025 with an agreed upon 9.5% return on equity. A final decision from the NYPSC is expected later this year.

Rate filing made

Rare pan dies

New rates effective

Rates continue indefinitely

Multi-year rate plan

✓ Feature in place

P Feature partially in place

† Revenue decoupling

A mechanism that removes the link between a utility's revenue and sales volume so that the utility is indifferent to changes in usage. Revenues are reconciled to a revenue target, with differences billed or credited to customers. This allows the utility to support energy efficiency.

‡ Capital tracker

A mechanism that allows the recovery of the revenue requirement of incremental capital investment above that embedded in base rates, including depreciation and a return on the incremental investment.

§ Commodity-related bad debt true-up

A mechanism that allows a utility to reconcile commodity-related bad debt either to actual commodity-related bad debt or to a specified commodity-related bad debt write-off percentage. For electricity utilities, this mechanism also includes working capital.

◊ Pension/OPEB true-up

A mechanism that reconciles the actual non-capitalised costs of pension and other post-employment benefits (OPEB) and the actual amount recovered in base rates. The difference may be amortised and recovered over a period or deferred for a future rate case.

Internal control and risk factors

Disclosure controls

Our management, including the Chief Executive and Chief Financial Officer, have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of 31 March 2025.

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives; however, their effectiveness has limitations, including the possibility of human error and the circumvention or overriding of the controls and procedures.

Even effective disclosure controls and procedures provide only reasonable assurance of achieving their objectives.

Based on the evaluation, the Chief Executive and Chief Financial Officer concluded that the disclosure controls and procedures are effective to provide reasonable assurance. The information required for disclosure in the reports that we file and submit under the Securities Exchange Act 1934 is recorded, processed, summarised and reported as and when required and that such information is accumulated and communicated to our management, including the Chief Executive and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

Internal control over financial reporting

Our management, including the Chief Executive and Chief Financial Officer, have carried out an evaluation of our internal control over financial reporting pursuant to the Disclosure Guidance and Transparency Rules (DTR) and section 404 of the SOx Act. As required by section 404, management is responsible for establishing and maintaining an adequate system of internal control over financial reporting (as defined in Rules 13(a) – 5(f) and 15(d) – 15(f) under the Securities Exchange Act 1934).

Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's evaluation of the effectiveness of the Company's internal control over financial reporting was based on the revised Internal Control – Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission. Using this evaluation, management concluded that our internal control over financial reporting was effective as at 31 March 2025.

Deloitte LLP, which has audited our consolidated financial statements for the year ended 31 March 2025, has also audited the effectiveness of our internal control over financial reporting.

During the year, there were no changes that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Risk factors

Management of our risks is an important part of our internal control environment, as we describe on pages 263 – 268. In addition to the principal risks listed, we face a number of inherent risks that could have a material adverse effect on our business, financial condition, results of operations and reputation, as well as the value and liquidity of our securities. Any investment decision regarding our securities and any forward looking statements made by us should be considered in the light of these risk factors and the cautionary statement set out on page 303. An overview of the key inherent risks we face is provided on the pages that follow.

Risk factors

Strategic risks

Law, regulation and political and economic uncertainty

Changes in law or regulation, or decisions by governmental bodies or regulators and increased political and economic uncertainty, could adversely affect us in a material way.

Most of our businesses are utilities or networks subject to regulation by governments and other authorities. Changes in law or regulation or regulatory policy and precedent, and decisions of governmental bodies or regulators in the countries or states in which we operate could materially adversely affect us. In addition, regulatory priorities may change following elections, the effects of which remain highly uncertain. This includes the tariffs imposed by the US Federal Government, and its focus on natural gas and pausing of offshore wind leasing, which contrasts with UK policy where further legislation has been introduced to reduce power sector emissions and facilitate the transition to net zero. In the longer term, significant changes to law or regulation regarding usage of electricity or gas in jurisdictions where we operate or on our operating activities could limit the return expected on investment or regulated assets. More widely, the impacts of international political and economic uncertainty and disruption could also have a material adverse consequence on us. We may fail to deliver any one of our customer, investor and wider stakeholder propositions due to increased political and economic uncertainty.

Decisions or rulings concerning the following (as examples) could have a material adverse impact on our results of operations, cash flows, the financial condition of our businesses and the ability to develop those businesses in the future:

- the RIIO (revenue = incentives + innovation + outputs) framework established by Ofgem, including the implementation of the RIIO-T2 and RIIO-ED2 price controls and upcoming determination of RIIO-T3 and RIIO-ED3 in the UK;
- the implementation of and periodic determination of US rate plans;
- whether licences, approvals or agreements to operate or supply are granted, amended or renewed, whether consents for construction projects are granted in a timely manner, or whether there has been any breach of the terms of a licence, approval or regulatory requirement; and
- timely recovery of incurred expenditure or obligations, the ability to pass through commodity costs, a decoupling of energy usage and revenue, and other decisions relating to the impact of general economic conditions on us, our markets and customers, implications of climate change and of advancing energy technologies, whether aspects of our activities are contestable, and the level of permitted revenues and dividend distributions for our businesses.

In October 2023, Ofgem published its decision on the Future Systems and Networks Regulation consultation, which confirmed Ofgem's framework for RIIO-3 price controls expected to commence from 1 April 2026, and in March 2024 concluded its Sector Specific Methodology Consultation for the RIIO-T3 price control period. In December 2024, National Grid published its RIIO-T3 five year business plan and Ofgem's final determinations will be published later this year. The outcome of this process could have a significant impact on our permitted returns in the five years starting on 1 April 2026, our results of operations, cash flows and financial condition.

For further information, see pages 256 to 261, which explains our regulatory environment in detail.

Climate change commitments and targets

If we fail to meet our regulatory obligations, commitments or targets in relation to climate change and the energy transition, our reputation and business may be materially and adversely affected.

We have set ambitious climate performance targets and commitments, including on reductions to greenhouse gas emissions, and we aim to deliver the critical infrastructure necessary to achieve wider climate change objectives. If we are unable to identify and/or deliver upon actions necessary to meet such targets, including due to third-party action or inaction and/or evolving standards, oversight or other requirements, this could undermine our ability to deliver our clean energy transition strategy, subject us to accusations of (or legal challenges related to) greenwashing, damage our reputation and limit our ability to influence future energy policy. Achievement of our climate commitments and targets is subject to risks and uncertainties, many of which are outside of our control and depend on, among other factors, investment and changes in operating practices by other energy sector participants, in particular risks related to generation of electricity by third parties and advances in technology and regulatory requirements that could impact how individuals and households use electricity, as well as regulatory, commercial and social trends in the jurisdictions where we operate.

These risks and uncertainties include, but are not limited to, the availability and cost of alternative fuels, global electrical charging infrastructure, off-site renewable energy and other materials and components; the outcome of research efforts and future technology developments, including the ability to scale projects and technologies on a commercially competitive basis, such as carbon sequestration, hydrogen blending (and other uses of hydrogen) and/or other related processes; labour-related regulations and requirements that restrict or prohibit our ability to impose requirements on third-party contractors; customer acceptance of sustainable supply chain solutions; and the consummation of an acquisition of, or merger with, another company that has not adopted similar goals or whose progress toward reaching its goals is not as advanced as ours.

Failure to achieve or maintain our climate performance targets, credentials and leadership may result in significant reputational harm, damage our relationship with key stakeholders, or result in regulatory enforcement and fines.

We measure and report on certain climate-related metrics where required by regulation, as well as for strategic and management purposes. The processes involved in formulating and reporting against our climate and emissions targets are complex, and are subject to significant uncertainties, including with respect to the methodology, collection and verification of data, underlying estimates and assumptions, and the use of third-party information. In particular, it is not possible to rely on historical data as a strong indicator of future trajectories, and the climate scenarios employed in relation to climate metrics (and the models that analyse such scenarios) have limitations that are sensitive to key assumptions and parameters, which are themselves subject to some uncertainty and cannot fully capture all of the potential effects of climate, policy and technology driven outcomes. In addition, climate change and emissions data, models and methodologies are relatively new, rapidly evolving and have not historically been subject to the same or equivalent disclosure standards, historical reference points, benchmarks or globally accepted accounting principles as financial and other information. As a result, such data may subsequently be determined to be erroneous, and implementing systems to meet regulatory requirements may be complex, require significant investment or impose additional demands on management time.

If our climate-related practices, reporting, regulatory compliance and performance do not meet investor or other stakeholder expectations, we could be subject to significant fines or penalties and our reputation and consequently our financial performance may be materially and adversely affected.

Internal control and risk factors continued

Growth and business development activity

Failure to respond to external market developments and execute our growth strategy may negatively affect our performance. Conversely, new businesses or activities that we undertake alone or with partners, or the cessation of existing business or activities, may not deliver target outcomes and may expose us to additional operational and financial risk.

Failure to grow our core business sufficiently and have viable options for new future business over the longer term, or failure to respond to the threats and opportunities presented by emerging technology or innovation (including for the purposes of adapting our networks to meet the challenges of increasing distributed energy resources), could negatively affect our credibility and reputation and jeopardise the achievement of intended financial returns.

Our business development activities (including the delivery of our growth ambition) involve acquisitions, disposals (including the proposed sale of Grain LNG, announced in May 2024 and the sale of NGR, for which an agreement was announced on 24 February 2025 with Brookfield Asset Management), joint ventures, partnering and organic investment opportunities, such as development activities relating to changes to the energy mix and the integration of distributed energy resources and other advanced technologies.

These are subject to a wide range of both external uncertainties (including the availability of potential investment targets and attractive financing and the impact of competition for onshore transmission in both the UK and US) and internal uncertainties (including actual performance of our existing operating companies and our business planning model assumptions and ability to integrate acquired businesses effectively). As a result, we may suffer unanticipated costs and liabilities and other unanticipated effects.

We may also be liable for the past acts, omissions or liabilities of companies or businesses we have acquired, which may be unforeseen or greater than anticipated. In the case of joint ventures, we may have limited control over operations and our joint venture partners may have interests that diverge from our own. We may also be required to seek additional licences or permits in connection with any such activities or initiatives, in particular with respect to transmission lines or renewable or other generation projects, which we may not be able to obtain on the timing, or terms anticipated, or at all.

The occurrence of any of these events could have a material adverse impact on our results of operations or financial condition, and could also impact our ability to enter into other transactions.

We may also be required to undertake certain acquisitions, investments or divestitures as mandated by regulatory bodies in the regions in which we operate. These could create financial or reputational risks or lead to changes to, or limitations being placed on, regulated activities and potentially, over the longer term, result in impairment of regulated assets and anticipated returns. As part of the UK Energy Act 2023, the UK Government announced its intention to create a new, operationally independent system operator and planner (ISOP) to act as the NESO for the UK. The National Grid Electricity Systems Operator (ESO) transferred out of the Group with effect from 1 October 2024. National Grid continues to provide services to the NESO following separation, which could subject the Group to public and/or regulatory scrutiny related to the operational practices of the NESO. This could have a material adverse impact on our results of operations or financial condition.

Business performance

Current and future business performance may not meet our expectations or those of our regulators and shareholders.

Earnings maintenance and growth from our regulated gas and electricity businesses will be affected by our ability to meet or exceed efficiency and cost targets and service quality standards set by, or agreed with, our regulators.

If we do not meet these targets and standards, or if we are not able to deliver our price controls and rate plans successfully, we may not achieve the expected returns and benefits, our business may be materially adversely affected and our performance, results of operations and reputation may be materially harmed and we may be in breach of regulatory or contractual obligations.

Employees and others

We may fail to attract, develop and retain employees at all levels with the competencies (including leadership and business capabilities), values and behaviours required to deliver our strategy and vision and ensure they are engaged to act in our best interests.

Our ability to implement our strategy depends on the capabilities and performance of our employees and leadership at all levels of the business. Our ability to implement our strategy and vision may be negatively affected by the loss of key personnel or an inability to adequately identify and plan for personnel requirements, including to attract, integrate, engage and retain appropriately qualified personnel (including people with the skills to help us deliver across our investment projects). Our ability to implement our strategy and vision may be negatively affected if significant disputes arise with our employees, such as failure to extend or renegotiate, as and when applicable, agreements with relevant trade unions.

As a result, there may be a material adverse effect on our business, financial condition, results of operations and prospects.

There is a risk that an employee, or someone acting on our behalf, may breach our internal controls or internal governance framework, or may contravene applicable laws and regulations. This could have an impact on the results of our operations, our reputation and our relationship with our regulators and other stakeholders.

Operational risks

Cyber or physical security breaches

Cyber or physical security breaches may impact our ability to operate our networks, initiate the loss of critical operating or confidential data and expose us to significant liabilities.

As an owner and operator of critical infrastructure assets, we are subject to cyber and physical threats, including from parties who wish to disrupt our operations. In response to the conflict in Ukraine, the UK Government warned of heightened cyber threat to national infrastructure, and there can be no certainty that our security measures will be sufficient to prevent breaches from wherever they originate.

Malicious attack, sabotage or other intentional acts may also damage our assets (which include critical national infrastructure), systems or data or otherwise significantly affect corporate activities and, as a consequence, have a material adverse impact on our reputation, business, results of operations and financial condition. The third-party technology systems, hardware, software, and technical applications and platforms which we use may also be subject to attempts to disrupt the services they provide to us or used as a conduit to attack us.

Unauthorised access to, or deliberate breaches of, our IT systems may also lead to manipulation of our proprietary business data or customer information. Unauthorised access to private customer information may make us liable for a violation of data privacy regulations, which may in turn expose us to significant regulatory fines or liabilities. Even where we establish business continuity controls and security against threats to our systems, these may not be sufficient. As threats related to cyber security develop and grow, we may also find it necessary to make further investments to protect our data and infrastructure, which may impact our results of operations and financial condition.

Potentially harmful activities

Aspects of our activities could potentially harm employees, contractors, members of the public or the environment.

Various potentially hazardous activities arise in connection with our business. For example, electricity and gas utilities typically use and generate hazardous and potentially hazardous products and by-products. In addition, there may be other aspects of our operations that are not currently regarded or proved to have adverse effects but could become so.

A significant safety or environmental incident, a catastrophic failure of our assets or a failure of our safety processes or of our occupational health plans, as well as the breach of our regulatory or contractual obligations or our climate change targets, could materially adversely affect our results of operations and our reputation.

Safety is a fundamental priority for us, and we commit significant resources and expenditure to process safety and to monitoring personal safety, occupational health and environmental performance, and to meeting our obligations under negotiated settlements.

We are subject to laws and regulations in the UK and US governing health and safety matters to protect the public and our employees and contractors, who could potentially be harmed by these activities, as well as laws and regulations relating to pollution, the protection of the environment, and the use and disposal of hazardous substances and waste materials, which are subject to change in the future.

These expose us to costs and liabilities relating to our operations and properties, including those inherited from predecessor bodies, whether currently or formerly owned by us, and sites used for the disposal of our waste.

The cost of future environmental remediation obligations is often inherently difficult to estimate, and uncertainties can include the extent of contamination, the appropriate corrective actions and our share of the liability. We are subject to regulation in relation to climate change and related reporting requirements, which are subject to significant change, and are affected by requirements to reduce our own carbon emissions as well as to enable a reduction in energy use by our customers. If more onerous requirements are imposed on our own operating and reporting requirements or our ability to recover these costs under regulatory frameworks changes, then this could have a material adverse impact on our business, reputation, results of operations and financial position.

Infrastructure and systems

We may suffer a major network failure or interruption, or may not be able to carry out critical operations due to the failure of infrastructure or technology or a lack of supply, including as a result of bulk power system failure.

Operational performance could be materially adversely affected by a failure to maintain the health of our assets or networks, inadequate forecasting of demand, inadequate record keeping or control of data, as well as third-party energy generators, including upstream failure or inability to produce adequate or reliable supply. Such events, in turn, could cause us to fail to meet agreed standards of service, incentive and reliability targets, or to be in breach of a licence, approval, regulatory requirement or contractual obligation. Even incidents that do not amount to a breach could result in adverse regulatory and financial consequences, as well as harming our reputation.

Where demand for electricity or gas exceeds supply, including where we do not adequately forecast and respond to disruptions in energy supplies, and our balancing mechanisms are not able to mitigate this fully, a lack of supply to consumers may damage our reputation.

In addition to these risks, we may be affected by other potential events that are largely outside our control, such as the impact of weather (including as a result of climate change and major storms), unlawful or unintentional acts of third parties, outbreaks of hostilities or terrorist acts, insufficient or unreliable supply, or force majeure.

These items can affect financial performance, and we disclose in our underlying results to reflect, among other items, major storm costs in the US that are recoverable in future periods where these are in excess of $100 million (in aggregate) in the financial year. Severe weather that causes outages or damages infrastructure, together with our actual or perceived response, could materially adversely affect operational and potentially business performance and our reputation.

Our insurance coverage may not cover all of the costs and liabilities we incur as the result of any damage or disruptions, including from these types of events outside our control, which in addition to any of the factors mentioned above may materially and adversely impact our business, results of operations and financial condition.

Internal control and risk factors continued

Reliance on IT systems

A failure of our information technology infrastructure could adversely impact our business and results of operations.

We rely upon the capacity, reliability and security of our IT hardware and software infrastructure and our ability to expand and update this infrastructure, including with the increasing use of artificial intelligence (AI) to meet our business requirements. Our systems may be vulnerable to damage from a variety of attacks or disruptions (including cyber-attacks), natural disasters, failures in hardware or software (including disruption to information systems of supporting technology, the possibility of obsolescence and the risk of serial defects on technology implemented by the Group), power fluctuations, unauthorised access to data and systems, loss or destruction of data (including confidential client information), human error, and other similar disruptions. Not all of these sources of threat are within our control, including fraud or malice on the part of third parties, accidental technological failure, electrical or telecommunication outages, failures of computer servers or other damage to our property or assets, outbreaks of hostilities, or terrorist acts. Further, the use of AI may expose us to additional risk from cyber events and our employees may not have the experience to identify weaknesses in AI generated data. In addition we rely on third parties to support the operation of our IT hardware, software infrastructure and software-as-a-service applications, and cloud services. The security and privacy measures implemented by such third parties may not be sufficient to identify or prevent disruptions or cyber-attacks.

We cannot give assurance that any security measures we have implemented or may in the future implement will be sufficient to identify and prevent or mitigate such disruptions. Maintenance of these IT systems is important for our ongoing service delivery, and investment may be required in the future to further develop our IT capabilities and to protect against disruptions or security breaches.

The failure of our IT systems or those of our vendors to perform as anticipated for any reason or any significant breach of security could disrupt our business and result in numerous adverse consequences, including reduced effectiveness and efficiency of operations, inappropriate disclosure of confidential and proprietary information, potentially significant reputational harm, increased overhead costs and loss of important information, and regulatory fines or other liabilities, any of which could have a material adverse effect on our business and results of operations. In addition, significant disruptions or breaches may require remedial steps to be taken, which could require us to incur significant costs. Although we maintain business continuity and/or disaster recovery plans, they may not in all circumstances be effective to timely resolve issues resulting from a disruption.

Supply chain disruptions

Supply chain disruption may materially and adversely affect our results of operations.

We may be impacted by supply chain disruptions and shortages of materials, equipment, labour and other resources that are critical to our business operations, including the delivery of major projects. Such disruptions may be further exacerbated by geopolitical tensions and the imposition of tariffs by the US Federal Government. Long lead times for critical equipment, network components and replacement parts could restrict the availability and delay the construction, maintenance or repair of items that are needed to support our normal operations and may result in prolonged customer outages, which could in turn lead to unrecovered costs for such service interruptions. Demand for electric equipment is increasing due to utilities' efforts to meet clean energy goals, planned capital expenditure projects and in order to prepare for more frequent extreme weather events at a time when manufacturing capacity and supply are decreasing.

Prices of materials, equipment, transportation and other resources have increased as a result of these supply chain disruptions and shortages and may furthermore continue to increase as a result of inflation.

A prolonged continuation or a further increase in the severity of supply chain and inflationary pressures could result in additional increases in the cost of certain goods, services and cost of capital, and may lead to projects delays, which may materially and adversely impact our business, results of operations and financial condition.

Customers, suppliers and counterparties

Customers, suppliers and counterparties may not perform their obligations.

Our operations are exposed to the risk that customers, suppliers, banks and other financial institutions, and others with whom we do business, will not satisfy their obligations, which could materially adversely affect our financial position.

This risk is significant where our subsidiaries have concentrations of receivables from gas and electricity utilities and their affiliates, as well as industrial customers and other purchasers, and may also arise where customers, including consumers, are unable to pay us as a result of increasing commodity prices or adverse economic conditions impacting affordability.

To the extent that counterparties are contracted with us for physical commodities (gas and electricity) and they experience events that impact their own ability to deliver, we may suffer supply interruption.

There is also a risk to us where we invest excess cash or enter into derivatives and other financial contracts with banks or other financial institutions. Banks that provide us with credit facilities may also fail to perform under those contracts.

Investment projects

Our capital investment projects are subject to a number of risks and uncertainties, including availability of supplies and personnel, cost and scheduling oversight, and regulatory requirements, approvals and consents.

Our regulated utility businesses are highly capital intensive, and require significant ongoing investments in network infrastructure including generation, transmission and distribution technologies and projects necessary to achieve our own, and wider, environmental goals.

The successful completion of any such project depends on, or could be affected by, a variety of factors, including: effective cost and schedule management of the projects; availability of qualified construction personnel, both internal and contracted; changes in commodity and other prices, applicable tariffs, and/or availability of supplies, materials and equipment needed for undertaking such projects and maintaining assets once in use; governmental approvals and consents, permitting and planning; clarity in regulatory requirements and expectations, including open communication with regulators and relevant stakeholders throughout the planning, approval, investment and operational stages; changes in environmental, legislative and regulatory requirements; regulatory cost recovery; inflation, including of labour rates; increases in lead times; and disruptions in supply chain distribution.

In 2022, Ofgem announced its Accelerated Strategic Transmission Investment (ASTI) framework, aimed at achieving the UK government's ambition of connecting 50 GW of offshore wind by 2030. Delivery of the 17 ASTI projects awarded to National Grid is expected to require an increase in the annual level of capital investment over the next decade. Our capacity to meet our commitments under the ASTI framework depends on a number of factors, including: the timely progression of awarded projects (including the planning stages and receipt of relevant approvals and consents); avoidance of significant supply chain disruptions and the continued availability of critical components; access to necessary labour and our ability to execute the relevant projects in line with regulatory standards and expectations.

We are also undertaking significant capital investments in the US, including various renewable investment projects and leak-prone pipe replacements, further electric sector modernisation plans in Massachusetts, the Propel NY Energy Transmission Project in New York, and investments in furtherance of New York's Climate Leadership and Community Protection Act (CLCPA).

Adverse events associated with any of the factors set out above could materially impact our ability to achieve the benefits of such projects, including our ability to comply with licensing and regulatory requirements and to further our own, and the relevant governmental, net zero targets and commitments.

Pandemics and epidemics

We face risks related to health epidemics and other outbreaks.

As seen in the context of COVID-19, pandemics and their associated countermeasures may affect countries, communities, supply chains and markets, including the UK and our service territory in the US. The spread of such pandemics could have adverse effects on our workforce, which could affect our ability to maintain our networks and provide service. In addition, disruption of supply chains could adversely affect our systems or networks.

Pandemics can also result in extraordinary economic circumstances in our markets which could negatively affect our customers' ability to pay their invoices in the US or the charges payable to the suppliers for transmission and distribution services in the UK. Measures such as the suspension of debt collection and customer termination activities across our service area in response to such pandemics are likely to result in near-term lower customer collections, and could result in increasing levels of bad debt and associated provisions.

The extent to which pandemics may affect our liquidity, business, financial condition, results of operations and reputation will depend on future developments, which are highly uncertain, and will depend on the severity of the relevant pandemic, the scope, duration, cost to us and overall economic impact of actions taken to contain it or treat its effects.

Internal control and risk factors continued

Financial risks

Financing and liquidity

An inability to access capital markets on commercially acceptable terms could affect how we maintain and grow our businesses.

We have historically financed our growth through a combination of funding sources, including retained operating cashflows, use of scrip dividend programme and issuances of senior and hybrid debt securities. As part of our five-year financial framework, we anticipate making approximately £60 billion of capital investments between 2024/25 and 2028/29, which we intend to finance through a package of funding sources that includes a combination of these sources of liquidity, as well as the net proceeds of the 2024 Rights Issue of around £7 billion, completed in June 2024. As further discussed below, reliance on these sources of liquidity can expose us to the risk of higher financing costs and the imposition of restrictions on our business.

Some of the debt we issue is rated by credit rating agencies and changes to these ratings may affect both our borrowing capacity and borrowing costs. In addition, restrictions imposed by regulators, such as limits on debt to equity or regulatory capital values ratios, may also limit how we service the financial requirements of our current businesses or the financing of newly acquired or developing businesses.

Financial markets can be subject to periods of volatility, including with respect to interest rates, and shortages of liquidity, for example as a result of unexpected political or economic events (such as pandemics or the conflict in Ukraine). If we were unable to access the capital markets or other sources of finance on commercially acceptable terms, our cost of financing may increase, and the manner in which we implement our strategy may need to be reassessed. Such events could have a material adverse impact on our business, results of operations and prospects.

Some of our regulatory agreements and/or specific regulatory entities impose lower limits for the credit ratings that certain companies or securities issued by certain companies within the Group must hold or the amount of equity within their capital structures, including a limit requiring certain entities within the Group or securities issued by them to hold an investment-grade credit rating.

In addition, some of our regulatory arrangements impose restrictions on the way we can operate. These include regulatory requirements for us to maintain adequate financial resources within certain parts of our operating businesses and may restrict the ability of National Grid plc and some of our subsidiaries to engage in certain transactions, including paying dividends, lending cash and levying charges.

The inability to meet such requirements, or the occurrence of any such restrictions, may have a material adverse impact on our business and financial condition.

Our debt agreements and banking facilities contain covenants, including those relating to the periodic and timely provision of financial information by the issuing entity, restrictions on disposals and financial covenants, such as restrictions on the level of subsidiary indebtedness and minimum credit rating requirements.

Failure to comply with these covenants, or to obtain waivers of those requirements, could in some cases trigger a right, at the lender’s discretion, to require repayment of some of our debt and may restrict our ability to draw upon our facilities or access the capital markets.

Exchange rates, interest rates and commodity price indices

Changes in foreign currency rates, interest rates or commodity prices could materially impact our earnings or financial condition.

We have significant operations in the US and are therefore subject to the exchange rate risks normally associated with non-UK operations, including the need to translate US assets and liabilities, and income and expenses, into sterling (our reporting currency).

As part of our ongoing capital expenditure requirements and investment projects, as well as projects planned under the ASTI programme, we are also exposed to currency fluctuations related to the purchase of equipment and components in currencies other than sterling.

In addition, our results of operations and net debt position may be affected because a significant proportion of our borrowings, derivative financial instruments and commodity contracts are affected by changes in interest rates, commodity price indices and exchange rates, in particular the dollar-to-sterling exchange rate.

Furthermore, our cash flow may be materially affected as a result of settling hedging arrangements entered into to manage our exchange rate, interest rate and commodity price exposure (such as those relating to the purchase of electricity and gas in the US), or by cash collateral movements relating to derivative market values, which also depend on the sterling or US dollar exchange rate into euro and other currencies.

Post-retirement benefits

We may be required to make significant contributions to fund pension and other post-retirement benefits.

We participate in a number of pension schemes that together cover substantially all our employees. In both the UK and US, such schemes include various large defined benefit schemes where the scheme assets are held independently of our own financial resources.

In the US, we also have other post-retirement benefit schemes. Estimates of the amount and timing of future funding for the UK and US schemes are based on actuarial assumptions and other factors, including: the actual and projected market performance of the scheme assets; future long-term bond yields; average life expectancies; and relevant legal requirements.

Actual performance of scheme assets may be affected by volatility in debt and equity markets.

Changes in these assumptions or other factors may require us to make additional contributions to these pension schemes which, to the extent they are not recoverable under our price controls or state rate plans, could materially adversely affect the results of our operations and financial condition.

Index to Directors' Report and other disclosures, as required under the Companies Act 2006

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Shareholder information

Articles of Association

The following description is a summary of the material terms of our Articles of Association (Articles) and applicable English law. It is a summary only and is qualified in its entirety by reference to the Articles.

The Articles set out the Company's internal regulations. Copies are available on our website at nationalgrid.com/corporate-governance and upon request. Amendments to the Articles have to be approved by at least 75% of those voting at a general meeting of the Company. Subject to company law and the Articles, the Directors may exercise all the powers of the Company. They may delegate authorities and decision making and the day-to-day management to individual Executive Directors and Committees on page 98.

General

The Company is incorporated under the name National Grid plc and is registered in England and Wales with registered number 4031152. Under the Companies Act 2006, the Company's objects are unrestricted.

Directors

Under the Articles, a Director must disclose any personal interest in a matter and may not vote in respect of that matter, subject to certain limited exceptions. As permitted under the Companies Act 2006, the Articles allow non-conflicted Directors to authorise a conflict or potential conflict for a particular matter. In doing so, the non-conflicted Directors must act in a way they consider, in good faith, will most likely promote the success of the Company for the benefit of the shareholders as a whole.

The Directors (other than a Director acting in an executive capacity) are paid fees for their services. In total, these fees must not exceed £2 million per year, or any higher sum decided by an ordinary resolution at a general meeting of shareholders. In addition, special pay may be awarded to a Director who acts in an executive capacity, serves on a committee, performs services which the Directors consider to extend beyond the ordinary duties of a Director, devotes special attention to the business of the Company, or goes or lives abroad on the Company's behalf. Directors may also receive reimbursement for expenses properly incurred and may be awarded pensions and other benefits. The compensation awarded to the Executive Directors is determined by the Remuneration Committee. Further details of Directors' remuneration are set out in the Directors' Remuneration Report (see pages 121 - 149).

The Directors may exercise all the powers of National Grid to borrow money. However, the aggregate principal amount of all the Group's borrowings outstanding at any time must not exceed £55 billion or any other amount approved by shareholders by an ordinary resolution at a general meeting.

Directors can be appointed or removed by the Board or shareholders at a general meeting. Directors must stand for election at the first AGM following their appointment to the Board. The Articles provide that they must be recommended by the Board or the Company must have received written confirmation of their willingness to act as Director. Under the Articles, each Director must retire at least every three years and be eligible for re-election should they wish to continue to serve. In accordance with the Code, all Directors wishing to continue in office currently offer themselves for re-election annually. No person is disqualified from being a Director or is required to vacate that office by reason of attaining a maximum age.

A Director is not required to hold shares in National Grid plc in order to qualify as a Director.

Rights, preferences and restrictions

Dividend rights

National Grid may not pay any dividend otherwise than out of profits available for distribution under the Companies Act 2006 and other applicable provisions of English law. In addition, as a public company, the Company may only make a distribution if, at the time of the distribution, the amount of its net assets is not less than the aggregate of its called-up share capital and undistributable reserves (as defined in the Companies Act 2006), and to the extent that the distribution does not reduce the amount of those assets to less than that aggregate. Ordinary shareholders and ADS holders receive dividends.

Subject to these points, shareholders may, by ordinary resolution, declare dividends in accordance with the respective rights of the shareholders, but not exceeding the amount recommended by the Board. The Board may pay interim dividends if it considers that the Company's financial position justifies the payment. Any dividend or interest unclaimed for 12 years from the date when it was declared or became due for payment will be forfeited and revert to the Company, and the Articles clarify that the Company may use such unclaimed dividends for the Company's benefit as the Directors may think fit.

Voting rights

Subject to any rights or restrictions attached to any shares and to any other provisions of the Articles, at any general meeting on a show of hands, every shareholder who is present in person will have one vote and, on a poll, every shareholder will have one vote for every share they hold. On a show of hands or poll, shareholders may cast votes either personally or by proxy. A proxy need not be a shareholder. Under the Articles, all substantive resolutions at a general meeting must be decided on a poll and the Articles further provide that voting on resolutions at a general meeting that is held at least in part using an electronic platform must be decided on a poll. Ordinary shareholders and ADS holders can vote at general meetings.

Liquidation rights

In a winding up, a liquidator may (in each case with the sanction of a special resolution passed by the shareholders and any other sanction required under English law): (1) divide among the shareholders the whole or any part of National Grid's assets (whether the assets are of the same kind or not) – the liquidator may, for this purpose, value any assets and determine how the division should be carried out as between shareholders or different classes of shareholders; or (2) transfer any part of the assets to Trustees on trust for the benefit of the shareholders as the liquidator determines. In neither case will a shareholder be compelled to accept assets upon which there is a liability.

Restrictions

There are no restrictions on the transfer or sale of ordinary shares. Some of the Company's employee share plans, details of which are contained in the Directors' Remuneration Report on pages 121 – 149, include restrictions on the transfer of ordinary shares while the ordinary shares are subject to the plan. Where, under an employee share plan operated by the Company, participants are the beneficial owners of the ordinary shares but not the registered owner, the voting rights may be exercised by the registered owner at the direction of the participant. Treasury shares do not attract a vote or dividends.

Variation of rights

Subject to applicable provisions of English law, the rights attached to any class of shares of National Grid may be varied or cancelled. This must be with the written consent of the holders of three quarters in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

General meetings

AGMs must be convened each year within six months of the Company's accounting reference date upon 21 clear days' advance written notice. Under the Articles, any other general meeting may be convened provided at least 14 clear days' written notice is given, subject to annual approval of shareholders. In certain limited circumstances, the Company can convene a general meeting by shorter notice. The notice must specify, among other things, the nature of the business to be transacted and the place, the date and the time of the meeting. The 2025 AGM will be held as a combined physical and electronic meeting. Shareholders should monitor our website at nationalgrid.com/investors for any updates to the arrangements for the AGM.

Rights of non-residents

There are no restrictions under the Articles that would limit the rights of persons not resident in the UK to vote in relation to ordinary shares.

Depositary payments to the Company

The Bank of New York Mellon (the 'Depositary') reimburses the Company for certain expenses it incurs in relation to the ADS programme, which consist of the expenses for the mailing of annual financial reports, printing and distributing dividend cheques, the electronic filing of US federal tax information, mailing required tax forms, stationery, postage, facsimiles and telephone calls. It also reimburses the Company for certain investor relationship programmes or special investor relations promotional activities. There are limits on the amount of expenses for which the Depositary will reimburse the Company, but the amount of reimbursement is not necessarily tied to the amount of fees the Depositary collects from investors.

For the period 22 May 2024 to 14 May 2025, the Company received a total of $1,906,095.88 in reimbursements from the Depositary consisting of $101,782.80, $1,176,266.82 and $628,046.26 received on 7 August 2024, 22 August 2024 and 24 February 2025 respectively. Fees that are charged on cash dividends will be apportioned between the Depositary and the Company. Any questions from ADS holders should be directed to the Depositary at the contact details on page 302.

Description of securities other than equity securities: Depositary fees and charges

The Depositary collects fees by deducting them from the amounts distributed or by selling a portion of distributable property for:

- delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them; and
- making distributions to investors (including, it is expected, cash dividends).

The Depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

The Company's Deposit agreement under which the ADSs are issued allows a fee of up to $0.05 per ADS to be charged for any cash distribution made to ADS holders, including cash dividends. ADS holders who receive cash in relation to the 2024/25 final dividend will be charged a fee of $0.02 per ADS by the Depositary prior to distribution of the cash dividend.

Persons depositing or withdrawing shares must pay:	For:
$5.00 per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property; cancellation of ADSs for the purpose of withdrawal, including if the Deposit agreement terminates; and distribution of securities distributed to holders of deposited securities that are distributed by the Depositary to ADS holders.
Registration or transfer fees	Transfer and registration of shares on our share register to or from the name of the Depositary or its agent when they deposit or withdraw shares.
Expenses of the Depositary	Cable, telex and facsimile transmissions (when expressly provided in the Deposit agreement); and converting foreign currency to dollars.
Taxes and other governmental charges the Depositary or the Custodian has to pay on any ADS or share underlying an ADS - for example, stock transfer taxes, stamp duty or withholding taxes	As necessary.

Documents on display

National Grid is subject to the US SEC reporting requirements for foreign companies. The Company's Form 20-F and other filings can be viewed on the website as well as the SEC website at sec.gov.

Events after the reporting period

A post balance sheet event occurred. Please see note 36 on page 247 for details.

Exchange controls

There are currently no UK laws, decrees or regulations that restrict the export or import of capital, including, but not limited to, foreign exchange control restrictions, or that affect the remittance of dividends, interest or other payments to non-UK resident holders of ordinary shares except as otherwise set out in Taxation on pages 274 and 275 and except in respect of the governments of and/or certain citizens, residents or bodies of certain countries (described in applicable Bank of England Notices or European Union Council Regulations in force as at the date of this document).

Shareholder information continued

Share information

National Grid ordinary shares are listed on the London Stock Exchange under the symbol NG. The ADSs are listed on the New York Stock Exchange under the symbol NGG.

As at 14 May 2025, the share capital of the Company consists of 5,132,617,708 ordinary shares of $12^{204}/_{473}$ pence nominal value each and ADSs, which represent five ordinary shares each.

Disclosure of interests

Under the Companies Act 2006, National Grid may, by written notice, require a person whom it has reasonable cause to believe to be or to have been, in the last three years, interested in its shares to provide additional information relating to that interest. Under the Articles, failure to provide such information may result in a shareholder losing their rights to attend, vote or exercise any other right in relation to shareholders' meetings.

Other than as stated below as far as we are aware, there are no persons with significant direct or indirect holdings in the Company. Information provided pursuant to FCA's DTR is published on the Regulatory Information Service and on the Company's website.

The UK City Code on Takeovers and Mergers imposes strict disclosure requirements regarding dealings in the securities of an offeror or offeree company, and also on their respective associates, during the course of an offer period. Other regulators in the UK, US and elsewhere may have, or assert, notification or approval rights over acquisitions or transfers of shares.

Material interests in shares

As at 31 March 2025, National Grid plc had received notice, under the DTRs, in respect of the following holdings of 3% or more of the voting rights in its issued ordinary share capital:

	Number of ordinary shares	% of voting rights[1]	Date of last notification of interest
BlackRock, Inc.	254,134,567	7.55	18 November 2024
Bank of America Corporation	216,654,059	5.89	7 June 2023
The Capital Group Companies, Inc.	182,521,721	4.99	8 September 2022

1. This number is calculated in relation to the issued share capital at the time the holding was disclosed.

As at 14 May 2025, no further notifications have been received.

The rights attached to ordinary shares are detailed on page 270. All ordinary shares and all major shareholders have the same voting rights. The Company is not, to the best of its knowledge, directly or indirectly controlled.

Authority to purchase shares

Shareholder approval was given at the 2024 AGM to purchase up to 10% of the Company's share capital (being 372,153,936 ordinary shares). The Directors will seek shareholder approval to renew this authority at the 2025 AGM.

In some circumstances, the Company may find it advantageous to have the authority to purchase its own shares in the market, where the Directors believe this would be in the interests of shareholders generally. The Directors believe that it is an important part of the financial management of the Company to have the flexibility to repurchase issued shares to manage its capital base, including actively managing share issuances from the operation of the Scrip Dividend Scheme. It is expected that repurchases to manage share issuances under the Scrip Dividend Scheme will not exceed 2.5% of the issued share capital (excluding treasury shares) per annum.

When purchasing shares, the Company has taken, and will continue to take, into account market conditions prevailing at the time, other investment and financing opportunities, and the overall financial position of the Company.

At the 2024 AGM, the Company sought authority to purchase ordinary shares in the capital of the Company as part of the management of the dilutive effect of share issuances under the Scrip Dividend Scheme. During the year, the Company did not purchase any of its own shares, and does not expect to do so whilst delivering strong asset growth.

	Number of shares	Total nominal value	% of called up share capital
Shares held in Treasury purchased in prior years[1]	247,391,032	£30,753,895.73 [2]	6.24 [1]
Shares purchased and held in Treasury during the year	—	—	—
Shares transferred from Treasury during the year (to employees under employee share plans)	11,897,097	£1,478,962.59	0.23 [3]
Maximum number of shares held in Treasury during the year[4]	247,391,032	£30,753,895.73 [2]	4.82 [3]

1. Called-up share capital: 3,967,138,214 ordinary shares as at 31 March 2024.
2. Nominal value: $12^{204}/_{473}$ pence per ordinary share.
3. Called-up share capital: 5,132,617,708 ordinary shares as at the date of this report.
4. Maximum number of shares held in Treasury during the year as at 31 March 2025.

As at 14 May 2025, the Company's issued share capital comprised 5,132,617,708 ordinary shares including 231,181,188 ordinary shares held in treasury. This represented 4.50% of the Company's called-up share capital.

Authority to allot shares

Shareholder approval was given at the 2024 AGM to allot shares of up to one third of the Company's share capital. The Directors are seeking a similar authority this year. The Directors consider that the Company will have sufficient flexibility with this level of authority to respond to market developments and that this authority is in line with investor guidelines.

The Directors currently have no intention of issuing new shares, or of granting rights to subscribe for or to convert any security into shares, except in relation to, or in connection with, the operation and management of the Company's Scrip Dividend Scheme and the exercise of options under the Company's employee share plans. No issue of shares will be made that would effectively alter control of the Company without the sanction of shareholders in a general meeting.

The Company expects to actively manage the dilutive effect of share issuance arising from the operation of the Scrip Dividend Scheme. In some circumstances, additional shares may be allotted to the market for this purpose under the authority provided by this resolution. Under these circumstances, it is expected that the associated allotment of new shares (or rights to subscribe for or convert any security into shares) will not exceed 1% of the issued share capital (excluding treasury shares) per annum.

Dividend waivers

The Trustee of the National Grid Employee Share Trust, which is independent of the Company, waived the right to dividends paid during the year. They have also agreed to waive the right to future dividends, in relation to the ordinary shares and ADSs held by the Trust.

Under the Company's ADS programme, the right to dividends in relation to the ordinary shares underlying the ADSs was waived during the year, under an arrangement whereby the Company pays the monies to satisfy any dividends separately to the Depositary for distribution to ADS holders entitled to the dividend. This arrangement is expected to continue for future dividends.

Shareholder analysis

The following table includes a brief analysis of shareholder numbers and shareholdings as at 31 March 2025:

	Number of shareholders	% of shareholders[1]	Number of shares	% of shares[1]
1 – 50	126,529	20	395,1473	0
51 – 100	16,0244	25	11,265,974	0.28
101 – 500	273,010	43	57,602,885	1.45
501 – 1,000	39,294	6	27,292,457	0.69
1,001 – 10,000	37,315	6	91,146,916	2
10,001 – 50,000	1,531	0	28,584,621	0.72
50,001 – 100,000	201	0	14,274,195	0.36
100,001 – 500,000	460	0	109,401,059	2.76
500,001 – 1,000,000	135	0	97,580,250	2.46
1,000,001+	310	0	3,526,038,384	88.88
Total	639,029	100	3,967,138,214	100

1. Percentages have been rounded to two decimal places.

Shareholder information continued

Taxation

This section provides information about certain US federal income tax and UK tax consequences for US Holders (defined below) of owning ADSs and ordinary shares. A US Holder is the beneficial owner of ADSs or ordinary shares who:

- is for US federal income tax purposes (1) an individual citizen or resident of the US; (2) a corporation created or organised under the laws of the US, any state thereof or the District of Columbia; (3) an estate, the income of which is subject to US federal income tax without regard to its source; or (4) a trust, if a court within the US is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for US federal income tax purposes;
- is not resident in the UK for UK tax purposes; and
- does not hold ADSs or ordinary shares in connection with the conduct of a business or the performance of services in the UK or otherwise in connection with a branch, agency or permanent establishment in the UK.

This section is not a comprehensive description of all the US federal income tax and UK tax considerations that may be relevant to any particular investor (including consequences under the US alternative minimum tax or net investment income tax). Neither does it address state, local or other tax laws. National Grid has assumed that shareholders, including US Holders, are familiar with the tax rules applicable to investments in securities generally and with any special rules to which they may be subject. This discussion deals only with US Holders who hold ADSs or ordinary shares as capital assets. It does not address the tax treatment of investors who are subject to special rules. Such investors may include:

- financial institutions;
- insurance companies;
- dealers in securities or currencies;
- investors who elect mark-to-market treatment;
- entities treated as partnerships or other pass-through entities and their partners;
- individual retirement accounts and other tax-deferred accounts;
- tax-exempt organisations;
- investors who own (directly or indirectly) 10% or more of our shares (by vote or value);
- investors who hold ADSs or ordinary shares as a position in a straddle, hedging transaction or conversion transaction;
- individual investors who have ceased to be resident in the UK for a period of five years or less;
- persons who have ceased to be US citizens or lawful permanent residents of the US; and
- US Holders whose functional currency is not the US dollar.

The statements regarding US and UK tax laws and administrative practices set forth below are based on laws, treaties, judicial decisions and regulatory interpretations that were in effect on the date of this document. These laws and practices are subject to change without notice, potentially with retroactive effect. In addition, the statements set forth below are based on the representations of the Depositary and assume that each party to the Deposit agreement will perform its obligations thereunder in accordance with its terms.

US Holders of ADSs generally will be treated as the owners of the ordinary shares represented by those ADSs for US federal income tax purposes. For the purposes of the Tax Convention, the Estate Tax Convention and UK tax considerations, this discussion assumes that a US Holder of ADSs will be treated as the owner of the ordinary shares represented by those ADSs. HMRC has stated that it will continue to apply its longstanding practice of treating a holder of ADSs as holding the beneficial interest in the ordinary shares represented by the ADSs; however, we note that this is an area of some uncertainty and may be subject to change.

US Holders should consult their own advisors regarding the tax consequences of buying, owning and disposing of ADSs or ordinary shares depending on their particular circumstances, including the effect of any state, local or other tax laws.

Taxation of dividends

The UK does not currently impose a withholding tax on dividends paid to US Holders.

US Holders should assume that any cash distribution paid by the Depositary for ADSs with respect to ADSs or ordinary shares will be reported as dividend income for US federal income tax purposes. While dividend income received from non-US corporations is generally taxable to a non-corporate US Holder as ordinary income for US federal income tax purposes, dividend income received by a non-corporate US Holder from us generally will be taxable at the same favourable rates applicable to long-term capital gains provided (1) either: (a) we are eligible for the benefits of the Tax Convention or (b) ADSs or ordinary shares are treated as 'readily tradable' on an established securities market in the US; and (2) we are not, for our taxable year during which the dividend is paid or the prior year, a passive foreign investment company for US federal income tax purposes, and certain other requirements are met. We expect that our shares will be treated as 'readily tradable' on an established securities market in the US as a result of the trading of ADSs on the New York Stock Exchange (NYSE). We also believe we are eligible for the benefits of the Tax Convention.

Based on our audited financial statements and the nature of our business activities, we believe that we were not treated as a Passive Foreign Investment Company (PFIC) for US federal income tax purposes with respect to our taxable year ended 31 March 2025. In addition, based on our current expectations regarding the value and nature of our assets, the sources and nature of our income, and the nature of our business activities, we do not anticipate becoming a PFIC in the foreseeable future.

Dividends received by corporate US Holders with respect to ADSs or ordinary shares will not be eligible for the dividends-received deduction that is generally allowed to corporations.

Taxation of capital gains

Subject to specific rules relating to assets that derive at least 75% of their value from UK land, US Holders will not be subject to UK taxation on any capital gain realised on the sale or other disposition of ADSs or ordinary shares.

Provided that we are not a PFIC for any taxable year during which a US Holder holds their ADSs or ordinary shares, upon a sale or other disposition of ADSs or ordinary shares, a US Holder generally will recognise a capital gain or loss for US federal income tax purposes that is equal to the difference between the US dollar value of the amount realised on the sale or other disposition and the US Holder's adjusted tax basis in the ADSs or ordinary shares. Such capital gain or loss generally will be long-term capital gain or loss if the ADSs or ordinary shares were held for more than one year. For non-corporate US Holders, long-term capital gain is generally taxed at a lower rate than ordinary income. A US Holder's ability to deduct capital losses is subject to significant limitations.

US information reporting and backup withholding tax

Dividend payments made to US Holders and proceeds paid from the sale, exchange, redemption or disposal of ADSs or ordinary shares to US Holders may be subject to information reporting to the US Internal Revenue Service. Such payments may be subject to backup withholding taxes if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements.

US Holders should consult their tax advisors about these rules and any other reporting obligations that may apply to the ownership or disposition of ADSs or ordinary shares. Such obligations include reporting requirements related to the holding of certain foreign financial assets.

UK stamp duty and stamp duty reserve tax (SDRT)

Transfers of ordinary shares

SDRT at the rate of 0.5% of the amount or value of the consideration will generally be payable on any agreement to transfer ordinary shares that is not completed using a duly stamped instrument of transfer (such as a stock transfer form).

The SDRT liability will be cancelled where an instrument of transfer is executed and duly stamped before the expiry of the six-year period beginning with the date on which the agreement is made. If a claim is made within the specified period, any SDRT which has been paid will be refunded. SDRT is due whether or not the agreement or transfer is made or carried out in the UK and whether or not any party to that agreement or transfer is a UK resident.

Purchases of ordinary shares completed using a stock transfer form will generally result in a UK stamp duty liability at the rate of 0.5% (rounded up to the nearest £5) of the amount or value of the consideration. Paperless transfers under the CREST paperless settlement system will generally be liable to SDRT at the rate of 0.5%, and not stamp duty. SDRT is generally the liability of the purchaser, and UK stamp duty is usually paid by the purchaser or transferee.

Transfers of ADSs

No UK stamp duty will be payable on the acquisition or transfer of existing ADSs or beneficial ownership of ADSs (in each case in the form of ADRs), provided that any instrument of transfer or written agreement to transfer is executed outside the UK and remains at all times outside the UK.

An agreement for the transfer of ADSs in the form of ADRs will not result in an SDRT liability. A charge to stamp duty or SDRT may arise on the transfer of ordinary shares to the Depositary or The Bank of New York Mellon as agent of the Depositary (the 'Custodian').

The rate of stamp duty or SDRT will generally be 1.5% of the value of the consideration or, in some circumstances, the value of the ordinary shares concerned. However, there is no 1.5% SDRT charge on the issue of ordinary shares (or, where a transfer is made in the course of a "capital raising arrangement", being arrangements pursuant to which securities are issued by a company for the purpose of raising new capital) to the Depositary or the Custodian.

The Depositary will generally be liable for the stamp duty or SDRT. Under the terms of the Deposit agreement, the Depositary will charge any tax payable by the Depositary or the Custodian (or their nominees) on the deposit of ordinary shares to the party to whom the ADSs are delivered against such deposits. If the stamp duty is not a multiple of £5, the duty will be rounded up to the nearest multiple of £5.

UK inheritance tax

An individual who is domiciled in the US for the purposes of the Estate Tax Convention and who is not a UK national for the purposes of the Estate Tax Convention will generally not be subject to UK inheritance tax in respect of 1) the ADSs or ordinary shares on the individual's death or 2) a gift of the ADSs or ordinary shares during the individual's lifetime. This is not the case where the ADSs or ordinary shares are part of the business property of the individual's permanent establishment in the UK or relate to a fixed base in the UK of an individual who performs independent personal services.

Special rules apply to ADSs or ordinary shares held in trust. In the exceptional case where the ADSs or shares are subject both to UK inheritance tax and to US federal gift or estate tax, the Estate Tax Convention generally provides for the tax paid in the UK to be credited against tax paid in the US or vice versa.

Capital gains tax (CGT) for UK resident shareholders

You can find CGT information relating to National Grid shares for UK resident shareholders on the investors section of our website nationalgrid/investors Share prices on specific dates are also available on our website.

All-employee share plans

The Company has a number of all-employee share plans as described below, which operated during the year. These allow UK- or US-based employees to participate in tax-advantaged plans and to become shareholders in National Grid.

UK Sharesave

UK employees are eligible to participate in the Sharesave Plan. Under this plan, participants may contribute between £5 and £500 each month, for a fixed period of three years, five years, or both. Contributions are taken from net salary. At the end of the fixed period, participants may use their savings to purchase ordinary shares in National Grid plc at a 20% discounted option price, which is set at the time of each Sharesave launch.

UK Share Incentive Plan (SIP)

UK employees are eligible to participate in the SIP. Contributions up to £150 per month are deducted from participants' gross salary and used to purchase National Grid plc ordinary shares each month. The shares are placed in a UK resident trust and are available to the individual with tax advantages after a five-year period.

US Employee Stock Purchase Plan (ESPP)

Employees of National Grid's participating US companies are eligible to participate in the ESPP (commonly referred to as a 423b plan). Eligible employees have the opportunity to purchase ADSs in National Grid on a monthly basis at a 15% discounted price of the Fair Market Value (FMV). Under the plan, employees may contribute up to 20% of base pay each year, up to a maximum annual contribution of $21,250, to purchase $25,000 worth of ADSs at FMV.

US Incentive Thrift Plan

The Thrift Plan is open to all US employees of participating National Grid companies; this is a tax-advantaged savings plan (commonly referred to as a 401(k) plan). This is a defined contribution pension plan that gives participants the opportunity to invest up to applicable federal salary limits. The federal limits for calendar year 2024 were: for pre-tax contributions or Roth 401(k) after tax contributions, a maximum of 50% of salary limited to $23,000 for those under the age of 50 and $30,500 for those aged 50 and above; and for post-tax contributions, up to 15% of salary. The total amount of employee contributions (pre-tax, Roth 401(k) and after tax) could not exceed 50% of compensation. The total amount of employee and employer contributions collectively were subject to the federal annual contribution limit of $69,000 for those under the age of 50 and $76,500 for those aged 50 and above. For the calendar year 2025, participants may invest up to the applicable federal salary limits: for pre-tax contributions or Roth 401(k) after tax contributions, this is a maximum of 50% of salary limited to $23,500 for those under the age of 50 and a standard limit of $31,000 for those aged 50 and above. For those who will be ages 60 to 63 by the end of calendar year 2025, the limit is $34,750 which is $3,750 higher than the standard limit for those 50 and above. For post-tax contributions, this is up to 15% of salary.

The total amount of employee contributions (pre-tax, Roth 401(k) and after tax) may not exceed 50% of compensation. The total amount of employee and employer contributions collectively are subject to the federal annual contribution limit of $70,000 for those under the age of 50, a standard annual contribution limit of $77,500 for those aged 50 and above and $81,250 for those who will be ages 60 to 63 by the end of calendar year 2025. New contributions or exchanges into the National Grid ADR Fund within the plan are limited to 20% of a participant's account balance.

Other disclosures

Change of control provisions

No compensation would be paid for loss of office of Directors on a change of control of the Company. As at 31 March 2025, the Company had borrowing facilities of £6 billion available and loans of £0.2 billion with a number of banks, which, on a change of control of the Company following a takeover bid, may alter or terminate. All of the Company's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time. In the event of a change of control of the Company, a number of governmental and regulatory consents or approvals are likely to be required, arising from laws or regulations of the UK or the US. Such consents or approvals may also be required for acquisitions of equity securities that do not amount to a change of control.

No other agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid are considered to be significant in terms of their potential impact on the business as a whole.

Code of Ethics

The Board has adopted a Code of Ethics. The Group's Code of Ethics is available on our website nationalgrid.com.

Conflicts of interest

In accordance with the Companies Act 2006, the Board has a policy and procedure in place for the disclosure and authorisation (if appropriate) of actual and potential conflicts of interest. The Board continues to monitor and note possible conflicts of interest that each Director may have, including a review on appointment. The Directors are regularly reminded of their continuing obligations in relation to conflicts, and are required to review and confirm their external interests annually.

Corporate governance practices: differences from NYSE listing standards

The Company is listed on the NYSE and is therefore required to disclose differences in its corporate governance practices adopted as a UK listed company, compared with those of a US company. The corporate governance practices of the Company are primarily based on the requirements of the Code but substantially conform to those required of US companies listed on the NYSE.

The following is a summary of the significant ways in which the Company's corporate governance practices differ from those followed by US companies under section 303A of the Corporate Governance Standards of the NYSE.

The NYSE rules and the Code apply different tests for the independence of Board members.

The NYSE rules require a separate nominating/corporate governance committee composed entirely of independent directors. There is no requirement for a separate corporate governance committee in the UK. Under the Company's corporate governance policies, all Directors on the Board discuss and decide upon governance issues, and the People & Governance Committee makes recommendations to the Board with regard to certain responsibilities of a corporate governance committee.

The NYSE rules require listed companies to adopt and disclose corporate governance guidelines. While the Company reports compliance with the Code in each Annual Report and Accounts, the UK requirements do not require the Company to adopt and disclose separate corporate governance guidelines.

The NYSE rules require a separate audit committee composed of at least three independent members. While the Company's Audit & Risk Committee exceeds the NYSE's minimum independent Non-executive Director membership requirements, it should be noted that the quorum for a meeting of the Audit & Risk Committee, of two independent Non-executive Directors, is less than the minimum membership requirements under the NYSE rules.

The NYSE rules require a compensation committee composed entirely of independent directors, and prescribe criteria to evaluate the independence of the committee's members and its ability to engage external compensation advisors. While the Code prescribes different independence criteria, the Non-executive Directors on the Company's Remuneration Committee have each been deemed independent by the Board under the NYSE rules. Although the evaluation criteria for appointment of external advisors differ under the Code, the Remuneration Committee is solely responsible for the appointment, retention and termination of such advisors.

Directors' indemnity and Directors' and Officers' liability insurance

The Company has arranged, in accordance with the Companies Act 2006 and the Articles, qualifying third-party indemnities against financial exposure that Directors may incur in the course of their professional duties. Equivalent qualifying third-party indemnities were, and remain, in force for the benefit of those Directors who stood down from the Board in prior financial years for matters arising when they were Directors of the Company. Alongside these indemnities, the Company places Directors' and Officers' liability insurance cover for each Director. To the extent appropriate and required, similar indemnities have also been given to Directors of subsidiary and other associated companies, who also benefit from Directors' and Officers' liability insurance cover.

Employees

We negotiate with recognised unions. It is our policy to maintain well-developed communications and consultation programmes and there have been no material disruptions to our operations from labour disputes during the past four years. National Grid believes that it can conduct its relationships with trade unions and employees in a satisfactory manner. Further details on the Company's colleagues can be found on page 23.

Human rights and modern slavery

As a responsible business, we take pride in treating all employees and those working on our behalf fairly and ensuring they thrive in a respectful, safe, and inclusive environment. Our commitment to maintaining the highest standards of ethical conduct is reflected in our robust policies and procedures.

Our Supplier Code of Conduct sets out our expectations to respecting, protecting and promoting human rights. This aligns with the UN Guiding Principles on Business and Human Rights, the 10 Principles of the United Nations Global Compact (UNGC), the International Labour Organization (ILO) core labour standards, the Ethical Trading Initiative (ETI) Base Code, the UK Modern Slavery Act 2015, the US Victims of Trafficking and Violence Protection Act 2000, the US Department of State Guiding Principles to Combat Human Trafficking, and the requirements of the Living Wage Foundation for UK suppliers. Additionally, it adheres to US wage and hour laws, such as the Fair Labor Standards Act. This code is updated and communicated to our suppliers annually to ensure continued collaboration.

We produce an annual Modern Slavery Statement which outlines the actions we take to assess potential risk in our wider operations and take actions to address this. This includes working collaboratively in the sector through several membership organisations to build awareness and capability in the supply chain. We publish our Statement on the UK Home Office modern slavery registry and encourage our UK suppliers to publish a Statement on modern slavery, regardless of whether it is a legal obligation to do so.

We have engaged with Churches, Charities and Local Authorities (CCLA) Investment Management Limited, which established 'Find it, Fix it, Prevent it' as a collaborative investor engagement programme with the aim to use the leverage of investors to help companies 'find, fix and prevent' modern slavery in their supply chain. We keep engaging with CCLA on how they can enhance the approach to developing a benchmarking report of the FTSE 100 companies and we continue to improve corporate engagement and drive positive change.

As a signatory member of UNGC, we participated in its Business and Human Rights Accelerator programme to increase our awareness of the key considerations while also providing guidance on how an organisation can develop its strategy for managing any actual or potential risks associated with modern slavery.

We have been actively involved in the Supply Chain Sustainability School (SCSS) Labour working group and we were the first client level signatory, alongside many of our main contractors of the People Matter Charter. We have also contributed to prioritising the key focus of the Built Environment Against Slavery Group in line with our business supply chain sustainability strategy priorities.

Our People

Our employees are at the heart of what we do, which is why we participated in the 2024 Workforce Disclosure Initiative (WDI). National Grid has completed the WDI survey for the past six years and we continue to enhance our data year on year, obtaining a scorecard of 85% overall for our 2023 submission, above the Utilities sector average. We obtained 100% in several sections, including Risk assessment & human rights due diligence, Worker voice & Representation, Supply Chain Transparency, Responsible Sourcing and Supply Chain Working Conditions.

Our recruitment programme is designed to provide equal opportunities, comply with local legislation, and guarantee that all employees have the appropriate rights to work. We use employment agency partners for attracting temporary workers and they are contracted to uphold the same standards of employment that we offer our direct employees. Contract Managers actively oversee these agencies, ensuring they meet our rigorous employment requirements, including relevant screenings, paying the Real Living Wage, and adhering to the 'employer pays' principle, which is a commitment by employers to cover all costs associated with the recruitment of workers, rather than passing these costs on to the workers themselves. This means that no employee should ever have to pay towards becoming a temporary or permanent worker within our organisation or supply chain.

In the UK, we are committed to paying our employees, trainees, and contractors working on our behalf at least the Real Living Wage, as determined by the Living Wage Foundation. In the US, we ensure that all our employees receive at least the minimum wage, with prevailing wages paid in New York.

We have been actively involved in the SCSS Labour working group and we were the first client level signatory, alongside many of our main contractors of the People Matter Charter. The People Matter Charter was created to help organisations and their supply chain address potential human rights, safety and inclusion challenges in one workforce strategy. The Charter has eight commitments that can apply to any organisation, of any size. This flexibility provides us with a holistic approach to addressing potential labour issues in the industry. We promote the Charter with our supply chain to provide them with a framework that can support their due diligence in their own value chain.

Unresolved SEC staff comments

There are no unresolved SEC staff comments required to be reported.

Property, plant, equipment and borrowings

This information can be found in note 13 to the financial statements (Property, plant and equipment) on pages 199 – 201, and note 33 (Borrowings) on page 254. The Group does not have any encumbrances on material operational assets. At present, environmental issues are not preventing our UK and US businesses from utilising any material operating assets in the course of their operations. It is inherent in our business that assets may be affected by environmental issues, see risk factor included on page 263 on potentially harmful activities.

Other disclosures continued

UK principal offices

In the UK, our core regulated businesses focus on electricity transmission and distribution.

- Owned office space: Bristol, Cardiff, Castle Donnington, Plymouth and Warwick
- Leased office space: London

US principal offices

In North America, our core regulated businesses focus on transmission, distribution and retail of gas and electricity.

- Owned office space: Syracuse, Buffalo, Albany, Hicksville and Melville in New York. Northborough in Massachusetts.
- Leased office space: Waltham and Boston in Massachusetts.
- Brooklyn in New York.

Listing Rule 6.6.1 R cross-reference table

Information required to be disclosed by LR 6.6.1 R (starting on page indicated):

Interest capitalised	Page 185
Publication of unaudited financial information	Page 279
Details of long-term incentive schemes	Page 141
Waiver of emoluments by a Director	Not applicable
Waiver of future emoluments by a Director	Not applicable
Non-pre-emptive issues of equity for cash	Not applicable
Item (7) in relation to major subsidiary undertakings	None
Parent participation in a placing by a listed subsidiary	Not applicable
Contracts of significance	Page 278
Provision of services by a controlling shareholder	Not applicable
Shareholder waivers of dividends	Page 273
Shareholder waivers of future dividends	Page 273
Agreements with controlling shareholders	Not applicable

Political donations and expenditure

At this year's AGM, the Directors will again seek authority from shareholders, on a precautionary basis, for the Company and its subsidiaries to make donations to registered political parties and other political organisations and/or incur political expenditure as such terms are defined in the Companies Act 2006. In each case, donations will be in amounts not exceeding £125,000 in aggregate. The definitions of these terms in the Companies Act 2006 are very wide. As a result, this can cover bodies such as those concerned with policy review, law reform and the representation of the business community (for example, trade organisations). It could include special interest groups, such as those involved with the environment, which the Company and its subsidiaries might wish to support, even though these activities are not designed to support or influence support for a particular party. The Companies Act 2006 states that all-party parliamentary groups are not political organisations for these purposes, meaning the authority to be sought from shareholders is not relevant to interactions with such groups. The Company has no intention of changing its current practice of not making political donations or incurring political expenditure within the ordinary meaning of those words. This authority is, therefore, being sought to ensure that none of the Company's activities inadvertently infringe these rules. National Grid made no political donations and did not incur any political expenditure during the year, as such terms are defined for the purposes of the Companies Act 2006 and the Political Parties, Elections and Referendums Act 2000. In the US, we have established two Political Action Committees, funded voluntarily by employees, to support candidates who share our vision, have positive impacts on the communities we serve and are making a difference, as set out in our Global Corporate Policy on Political Contributions. National Grid US's affiliated New York and federal political action committees (PAC) made political contributions in the US totalling $76,650 during the year.

National Grid US's affiliated New York PAC (NYPAC) and National Grid US's affiliated federal PAC were funded wholly by voluntary employee contributions. Neither PAC received any corporate contributions during the past fiscal year.

Material contracts

Each of our Executive Directors has a service agreement and each Non-executive Director has a letter of appointment. Apart from these, no contract (other than contracts entered into in the ordinary course of business) has been entered into by the Group within the two years immediately preceding the date of this report that is, or may be, material; or which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this report.

Research, development and innovation activity

Indications of our activities in the field of research and development and innovation are provided throughout the Strategic Report and the Directors' report, including:

- In our business unit sections on pages 25 – 33.
- Within UK ET, in December, we submitted our five-year business plan to Ofgem. This plan is the largest overhaul of the UK electricity grid in generations and will significantly reduce the UK's reliance on fossil fuels. The UK ET plan sets out investment of up to £35 billion between 2026 and 2031, around two and a half times UK ET's investment over the previous period (RIIO-T2).
- In US NE, our ESMP, or Future Grid Plan, was approved as a strategic roadmap by the MADPU. The plan outlines c.$2 billion in anticipatory investments in the electrical distribution system that are foundational to meeting energy demand that is projected to more than double by 2050.
- In US NY, we commissioned the largest dynamic line rating (DLR) project in the US and the first in New York State, using 26 LineVision sensors on four 115 kV lines in Western New York. This allows us to reduce curtailment of renewable energy and congestion in constrained areas, limiting unnecessary transmission upgrades and new builds.
- National Grid Partners, in 2024/25, invested more than $50 million in start ups – and committed to invest an additional $100 million in AI startups.

Further examples of our innovation activity can be found as examples of our strategy priorities on pages 14 and 15.

Investment in research and development during the year for the Group was £43 million (2023/24: £32 million). We only disclose directly incurred expenditure, and not those amounts our partners contribute to joint or collaborative projects. Collaborating across the industry has played a crucial role in our ability to develop new programmes and deliver value to our stakeholders throughout 2024/25.

Other unaudited financial information

Alternative performance measures/non-IFRS reconciliations

Within the Annual Report, a number of financial measures are presented. These measures have been categorised as alternative performance measures (APMs), as per the European Securities and Markets Authority (ESMA) guidelines and the Securities and Exchange Commission (SEC) conditions for use of non-GAAP financial measures.

An APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined under IFRS. The Group uses a range of these measures to provide a better understanding of its underlying performance. APMs are reconciled to the most directly comparable IFRS financial measure where practicable.

Following the Rights Issue and the restatement of prior year earnings per share to reflect the impact of the bonus element within the IFRS results, the same restatement has been applied to all our earnings per share APM metric comparatives. We have also changed the methodology used to calculate our Group RoE metric, as noted in the detailed calculation. Comparative amounts have been restated accordingly.

The Group has defined the following financial measures as APMs derived from IFRS: net revenue, the various adjusted operating profit, earnings and earnings per share metrics detailed in the 'adjusted profit measures' section below, net debt, funds from operations (FFO), FFO interest cover and retained cash flow (RCF)/adjusted net debt. For each of these we present a reconciliation to the most directly comparable IFRS measure. We present 'constant currency' comparative period performance and capital investment by applying the current year average exchange rate to the relevant US dollar amounts in the comparative periods presented, to remove the year-on-year impact of foreign exchange translation.

We also have a number of APMs derived from regulatory measures which have no basis under IFRS; we call these Regulatory Performance Measures (RPMs). They comprise: Group RoE, operating company RoE, regulated asset base, regulated financial performance, regulatory gearing, asset growth and regulated asset growth. These measures include the inputs used by utility regulators to set the allowed revenues for many of our businesses.

In previous years, we additionally used Value Added and Value Growth APMs to monitor the performance of the Group. These metrics were linked to Executive LTPP incentive awards that fully vested in 2023/24. On the basis that the Group no longer uses these measures, the disclosure of these additional Group APMs has been discontinued in 2024/25.

We use RPMs to monitor progress against our regulatory agreements and certain aspects of our strategic objectives. Further, targets for certain of these performance measures are included in the Company's Annual Performance Plan (APP) and LTPP and contribute to how we reward our employees. As such, we believe that they provide close correlation to the economic value we generate for our shareholders and are therefore important supplemental measures for our shareholders to understand the performance of the business and to ensure a complete understanding of Group performance.

As the starting point for our RPMs is not IFRS, and these measures are not governed by IFRS, we are unable to provide meaningful reconciliations to any directly comparable IFRS measures, as differences between IFRS and the regulatory recognition rules applied have built up over many years. Instead, for each of these we present an explanation of how the measure has been determined and why it is important, and an overview as to why it would not be meaningful to provide a reconciliation to IFRS.

Alternative performance measures

Net revenue and underlying net revenue

'Net revenue' is revenue less pass-through costs, such as UK system balancing costs and gas and electricity commodity costs in the US. Pass-through costs are fully recoverable from our customers and are recovered through separate charges that are designed to recover those costs with no profit. Where revenue received or receivable exceeds the maximum amount permitted by our regulatory agreement, adjustments will be made to future prices to reflect this over-recovery. No liability is recognised, as such an adjustment to future prices relates to the provision of future services. Similarly, no asset is recognised where a regulatory agreement permits adjustments to be made to future prices in respect of an under-recovery. 'Underlying net revenue' further adjusts net revenue to remove the impact of 'timing', i.e. the in-year difference between allowed and collected revenues, including revenue incentives, as governed by our rate plans in the US or regulatory price controls in the UK (but excluding totex-related allowances and adjustments).

Year ended 31 March 2025	Gross revenue £m	Pass-through costs £m	Net revenue £m	Timing £m	Underlying net revenue £m
UK Electricity Transmission	2,619	(455)	2,164	151	2,315
UK Electricity Distribution	2,424	(185)	2,239	(407)	1,832
UK Electricity System Operator	1,029	(1,217)	(188)	479	291
New England	4,306	(1,658)	2,648	(61)	2,587
New York	6,689	(2,487)	4,202	343	4,545
National Grid Ventures	1,397	–	1,397	–	1,397
Other	122	–	122	–	122
Sales between segments	(208)	–	(208)	–	(208)
Total – continuing operations	18,378	(6,002)	12,376	505	12,881
Discontinued operations	–	–	–	–	–
Total	18,378	(6,002)	12,376	505	12,881

Other unaudited financial information continued

Year ended 31 March 2024	Gross revenue £m	Pass-through costs £m	Net revenue £m	Timing £m	Underlying net revenue £m
UK Electricity Transmission	2,735	(225)	2,510	(363)	2,147
UK Electricity Distribution	1,795	(233)	1,562	159	1,721
UK Electricity System Operator	3,788	(2,605)	1,183	(800)	383
New England	3,948	(1,653)	2,295	69	2,364
New York	6,094	(2,057)	4,037	20	4,057
National Grid Ventures	1,389	—	1,389	—	1,389
Other	244	—	244	—	244
Sales between segments	(143)	—	(143)	—	(143)
Total – continuing operations	19,850	(6,773)	13,077	(915)	12,162
Discontinued operations	—	—	—	—	—
Total	19,850	(6,773)	13,077	(915)	12,162

Year ended 31 March 2023	Gross revenue[1] £m	Pass-through costs £m	Net revenue £m	Timing £m	Underlying net revenue £m
UK Electricity Transmission	1,987	(217)	1,770	112	1,882
UK Electricity Distribution	2,045	(418)	1,627	139	1,766
UK Electricity System Operator	4,690	(4,152)	538	(207)	331
New England	4,427	(2,095)	2,332	39	2,371
New York	6,994	(2,957)	4,037	(53)	3,984
National Grid Ventures	1,341	—	1,341	—	1,341
Other	317	—	317	—	317
Sales between segments	(142)	—	(142)	—	(142)
Total – continuing operations	21,659	(9,839)	11,820	30	11,850
Discontinued operations	1,604	(658)	946	(12)	934
Total	23,263	(10,497)	12,766	18	12,784

1. Excluding exceptional income.

Adjusted profit measures

In considering the financial performance of our business and segments, we use various adjusted profit measures in order to aid comparability of results year-on-year. The various measures are presented on pages 79 – 89 and reconciled below.

Adjusted results – these exclude the impact of exceptional items and remeasurements that are treated as discrete transactions under IFRS and can accordingly be classified as such. This is a measure used by management that is used to derive part of the incentive target set annually for remunerating certain Executive Directors, and further details of these items are included in note 5 to the financial statements.

Underlying results – further adapts our adjusted results for continuing operations to take account of volumetric and other revenue timing differences arising due to the in-year difference between allowed and collected revenues, including revenue incentives, as governed by our rate plans in the US or regulatory price controls in the UK (but excluding certain totex-related allowances in NGET and adjustments or allowances for pension deficit contributions). For 2024/25, as highlighted below, our underlying results exclude £505 million (2023/24: £915 million) of timing differences as well as £87 million (2023/24: £226 million) of major storm costs (as costs, net of in-year allowances and deductibles exceeded our $100 million threshold in both years). We expect to recover major storm costs incurred through regulatory mechanisms in the US. Underlying results also exclude deferred tax in our UK regulated businesses (NGET and NGED). Our UK regulated revenues contain an allowance for current tax, but not for deferred tax, so excluding the IFRS deferred tax charge aligns our underlying results APM more closely with our regulatory performance measures.

Constant currency – the adjusted profit measures are also shown on a constant currency basis to show the year-on-year comparisons excluding any impact of foreign currency translation movements.

Reconciliation of statutory, adjusted and underlying profits from continuing operations at actual exchange rates

Year ended 31 March 2025	Statutory £m	Exceptionals and remeasurements £m	Adjusted £m	Timing £m	Major storm costs £m	Deferred tax on underlying profits in NGET and NGED £m	Underlying £m
UK Electricity Transmission	1,277	—	1,277	151	—	—	1,428
UK Electricity Distribution	1,598	12	1,610	(407)	—	—	1,203
UK Electricity System Operator	(213)	(151)	(364)	479	—	—	115
New England	1,008	(26)	982	(61)	3	—	924
New York	1,269	(246)	1,023	343	84	—	1,450
National Grid Ventures	5	375	380	—	—	—	380
Other	(10)	(133)	(143)	—	—	—	(143)
Total operating profit	4,934	(169)	4,765	505	87	—	5,357
Net finance costs	(1,357)	(4)	(1,361)	—	—	—	(1,361)
Share of post-tax results of joint ventures and associates	73	2	75	—	—	—	75
Profit before tax	3,650	(171)	3,479	505	87	—	4,071
Tax	(821)	(40)	(861)	(133)	(23)	401	(616)
Profit after tax	2,829	(211)	2,618	372	64	401	3,455

Year ended 31 March 2024	Statutory £m	Exceptionals and remeasurements £m	Adjusted £m	Timing £m	Major storm costs £m	Deferred tax on underlying profits in NGET and NGED £m	Underlying £m
UK Electricity Transmission	1,674	3	1,677	(363)	—	—	1,314
UK Electricity Distribution	975	18	993	159	—	—	1,152
UK Electricity System Operator	382	498	880	(800)	—	—	80
New England	641	2	643	69	90	—	802
New York	362	498	860	20	136	—	1,016
National Grid Ventures	558	(89)	469	—	—	—	469
Other	(117)	57	(60)	—	—	—	(60)
Total operating profit	4,475	987	5,462	(915)	226	—	4,773
Net finance costs	(1,464)	(15)	(1,479)	—	—	—	(1,479)
Share of post-tax results of joint ventures and associates	37	64	101	—	—	—	101
Profit before tax	3,048	1,036	4,084	(915)	226	—	3,395
Tax	(831)	(152)	(983)	227	(61)	302	(515)
Profit after tax	2,217	884	3,101	(688)	165	302	2,880

Year ended 31 March 2023	Statutory £m	Exceptionals and remeasurements £m	Adjusted £m	Timing £m	Major storm costs £m	Deferred tax on underlying profits in NGET and NGED £m	Underlying £m
UK Electricity Transmission	993	2	995	112	—	—	1,107
UK Electricity Distribution	1,069	22	1,091	139	—	—	1,230
UK Electricity System Operator	237	1	238	(207)	—	—	31
New England	1,132	(424)	708	39	72	—	819
New York	541	200	741	(53)	186	—	874
National Grid Ventures	957	(467)	490	—	—	—	490
Other	(50)	81	31	—	—	—	31
Total operating profit	4,879	(585)	4,294	30	258	—	4,582
Net finance costs	(1,460)	(54)	(1,514)	—	—	—	(1,514)
Share of post-tax results of joint ventures and associates	171	19	190	—	—	—	190
Profit before tax	3,590	(620)	2,970	30	258	—	3,258
Tax	(876)	241	(635)	(4)	(70)	178	(531)
Profit after tax	2,714	(379)	2,335	26	188	178	2,727

Other unaudited financial information continued

Reconciliation of adjusted and underlying earnings from continuing operations at constant currency

		At constant currency					
Year ended 31 March 2024	Adjusted at actual exchange rate £m	Constant currency adjustment £m	Adjusted £m	Timing £m	Major storm costs £m	Deferred tax on underlying profits in NGET and NGED £m	Underlying £m
UK Electricity Transmission	1,677	—	1,677	(363)	—	—	1,314
UK Electricity Distribution	993	—	993	159	—	—	1,152
UK Electricity System Operator	880	—	880	(800)	—	—	80
New England	643	(2)	641	69	90	—	800
New York	860	(3)	857	20	136	—	1,013
National Grid Ventures	469	—	469	—	—	—	469
Other	(60)		(60)	—	—	—	(60)
Total operating profit	5,462	(5)	5,457	(915)	226	—	4,768
Net finance costs	(1,479)	2	(1,477)	—	—	—	(1,477)
Share of post-tax results of joint ventures and associates	101	—	101	—	—	—	101
Profit before tax	4,084	(3)	4,081	(915)	226	—	3,392
Tax	(983)	1	(982)	227	(61)	302	(514)
Profit after tax	3,101	(2)	3,099	(688)	165	302	2,878
Attributable to non-controlling interests	(1)	—	(1)	—	—	—	(1)
Earnings	3,100	(2)	3,098	(688)	165	302	2,877
Earnings per share (pence)[1]	77.7	(0.1)	77.6	(17.2)	4.1	7.6	72.1

1. Comparative amounts have been restated to reflect the impact of the bonus element of the Rights Issue.

		At constant currency					
Year ended 31 March 2023	Adjusted at actual exchange rate £m	Constant currency adjustment £m	Adjusted £m	Timing £m	Major storm costs £m	Deferred tax on underlying profits in NGET and NGED £m	Underlying £m
UK Electricity Transmission	995	—	995	112	—	—	1,107
UK Electricity Distribution	1,091	—	1,091	139	—	—	1,230
UK Electricity System Operator	238	—	238	(207)	—	—	31
New England	708	(26)	682	37	69	—	788
New York	741	(27)	714	(51)	179	—	842
National Grid Ventures	490	(1)	489	—	—	—	489
Other	31	—	31	—	—	—	31
Total operating profit	4,294	(54)	4,240	30	248	—	4,518
Net finance costs	(1,514)	22	(1,492)	—	—	—	(1,492)
Share of post-tax results of joint ventures and associates	190	(1)	189	—	—	—	189
Profit before tax	2,970	(33)	2,937	30	248	—	3,215
Tax	(635)	8	(627)	(4)	(68)	178	(521)
Profit after tax	2,335	(25)	2,310	26	180	178	2,694
Attributable to non-controlling interests	—	—	—	—	—	—	—
Earnings	2,335	(25)	2,310	26	180	178	2,694
Earnings per share (pence)[1]	59.0	(0.6)	58.4	0.7	4.6	4.5	68.1

1. Comparative amounts have been restated to reflect the impact of the bonus element of the Rights Issue.

Earnings per share calculations from continuing operations

The table below reconciles the profit after tax from continuing operations as per the previous tables back to the earnings per share from continuing operations for each of the adjusted profit measures.

Year ended 31 March 2025	Profit after tax £m	Non-controlling interest £m	Profit after tax attributable to shareholders £m	Weighted average number of shares millions	Earnings per share pence
Statutory	**2,829**	**(3)**	**2,826**	**4,707**	**60.0**
Adjusted	**2,618**	**(3)**	**2,615**	**4,707**	**55.6**
Underlying	**3,455**	**(3)**	**3,452**	**4,707**	**73.3**

Year ended 31 March 2024	Profit after tax £m	Non-controlling interest £m	Profit after tax attributable to shareholders £m	Weighted average number of shares millions[1]	Earnings per share pence[1]
Statutory	2,217	(1)	2,216	3,991	55.5
Adjusted	3,101	(1)	3,100	3,991	77.7
Underlying	2,880	(1)	2,879	3,991	72.1
Underlying at constant currency	2,878	(1)	2,877	3,991	72.1

1. Comparative amounts have been restated to reflect the impact of the bonus element of the Rights Issue.

Year ended 31 March 2023	Profit after tax £m	Non-controlling interest £m	Profit after tax attributable to shareholders £m	Weighted average number of shares millions[1]	Earnings per share pence[1]
Statutory	2,714	—	2,714	3,956	68.6
Adjusted	2,335	—	2,335	3,956	59.0
Underlying	2,727	—	2,727	3,956	68.9
Underlying at constant currency	2,694	—	2,694	3,956	68.1

1. Comparative amounts have been restated to reflect the impact of the bonus element of the Rights Issue.

Other unaudited financial information continued

Reconciliation of total Group statutory operating profit to adjusted earnings (including and excluding the impact of timing, major storm costs and deferred tax on underlying profits in NGET and NGED)

	Including timing, major storm costs and deferred tax on underlying profits in NGET and NGED			Excluding timing, major storm costs and deferred tax on underlying profits in NGET and NGED		
Year ended 31 March	**2025 £m**	2024 £m	2023 £m	**2025 £m**	2024 £m	2023[1] £m
Continuing operations						
Adjusted operating profit	**4,765**	5,462	4,294	**5,357**	4,773	4,582
Adjusted net finance costs	**(1,361)**	(1,479)	(1,514)	**(1,361)**	(1,479)	(1,514)
Share of post-tax results of joint ventures and associates	**75**	101	190	**75**	101	190
Adjusted profit before tax	**3,479**	4,084	2,970	**4,071**	3,395	3,258
Adjusted tax	**(861)**	(983)	(635)	**(616)**	(515)	(531)
Adjusted profit after tax	**2,618**	3,101	2,335	**3,455**	2,880	2,727
Attributable to non-controlling interests	**(3)**	(1)	—	**(3)**	(1)	—
Adjusted earnings from continuing operations	**2,615**	3,100	2,335	**3,452**	2,879	2,727
Exceptional items after tax	**118**	(852)	619	**118**	(852)	619
Remeasurements after tax	**93**	(32)	(240)	**93**	(32)	(240)
Earnings from continuing operations	**2,826**	2,216	2,714	**3,663**	1,995	3,106
Discontinued operations						
Adjusted operating profit	**—**	—	714	**—**	—	702
Adjusted net finance costs	**5**	17	(295)	**5**	17	(295)
Share of post-tax results of joint ventures and associates	**—**	—	—	**—**	—	—
Adjusted profit before tax	**5**	17	419	**5**	17	407
Adjusted tax	**(1)**	(4)	(99)	**(1)**	(4)	(97)
Adjusted profit after tax	**4**	13	320	**4**	13	310
Attributable to non-controlling interests	**—**	—	—	**—**	—	—
Adjusted earnings from discontinued operations	**4**	13	320	**4**	13	310
Exceptional items and gain on disposal after tax	**25**	(4)	4,811	**25**	(4)	4,811
Remeasurements after tax	**47**	65	(48)	**47**	65	(48)
Earnings from discontinued operations	**76**	74	5,083	**76**	74	5,073
Total Group (continuing and discontinued operations)						
Adjusted operating profit	**4,765**	5,462	5,008	**5,357**	4,773	5,284
Adjusted net finance costs	**(1,356)**	(1,462)	(1,809)	**(1,356)**	(1,462)	(1,809)
Share of post-tax results of joint ventures and associates	**75**	101	190	**75**	101	190
Adjusted profit before tax	**3,484**	4,101	3,389	**4,076**	3,412	3,665
Adjusted tax	**(862)**	(987)	(734)	**(617)**	(519)	(628)
Adjusted profit after tax	**2,622**	3,114	2,655	**3,459**	2,893	3,037
Attributable to non-controlling interests	**(3)**	(1)	—	**(3)**	(1)	—
Adjusted earnings from continuing and discontinued operations	**2,619**	3,113	2,655	**3,456**	2,892	3,037
Exceptional items after tax	**143**	(856)	5,430	**143**	(856)	5,430
Remeasurements after tax	**140**	33	(288)	**140**	33	(288)
Total Group earnings from continuing and discontinued operations	**2,902**	2,290	7,797	**3,739**	2,069	8,179

Reconciliation of adjusted EPS to statutory earnings (including and excluding the impact of timing, major storm costs and deferred tax on underlying profits in NGET and NGED)

	Including timing, major storm costs and deferred tax on underlying profits in NGET and NGED			Excluding timing, major storm costs and deferred tax on underlying profits in NGET and NGED		
Year ended 31 March	**2025 pence**	2024[1] pence	2023[1] pence	**2025 pence**	2024[1] pence	2023[1] pence
Adjusted EPS from continuing operations	**55.6**	77.7	59.0	**73.3**	72.1	68.9
Exceptional items and remeasurements after tax from continuing operations	**4.4**	(22.2)	9.6	**4.4**	(22.2)	9.6
EPS from continuing operations	**60.0**	55.5	68.6	**77.7**	49.9	78.5
Adjusted EPS from discontinued operations	**—**	0.3	8.1	**—**	0.3	7.8
Exceptional items and remeasurements after tax from discontinued operations	**1.6**	1.6	120.4	**1.6**	1.6	120.4
EPS from discontinued operations	**1.6**	1.9	128.5	**1.6**	1.9	128.2
Total adjusted EPS from continuing and discontinued operations	**55.6**	78.0	67.1	**73.3**	72.4	76.7
Total exceptional items and remeasurements after tax from continuing and discontinued operations	**6.0**	(20.6)	130.0	**6.0**	(20.6)	130.0
Total Group EPS from continuing and discontinued operations	**61.6**	57.4	197.1	**79.3**	51.8	206.7

1. Comparative amounts have been restated to reflect the impact of the bonus element of the Rights Issue.

Timing and regulated revenue adjustments

As described on pages 256 – 261, our allowed revenues are set in accordance with our regulatory price controls or rate plans. We calculate the prices we charge our customers based on the estimated volume of energy we expect will be delivered during the coming period. The actual volumes delivered will differ from the estimate. Therefore, our total actual revenue will be different from our total allowed revenue. These differences are commonly referred to as timing differences. If we collect more than the allowed revenue, adjustments will be made to future prices to reflect this over-recovery, and if we collect less than the allowed level of revenue, adjustments will be made to future prices to reflect the under-recovery. In the US, a substantial portion of our costs are pass-through costs (including commodity and energy-efficiency costs) and are fully recoverable from our customers. Timing differences between costs of this type being incurred and their recovery through revenue are also included in timing. The amounts calculated as timing differences are estimates and subject to change until the variables that determine allowed revenue are final.

In addition to the timing adjustments described above, as part of the RIIO price controls in the UK, outperformance against allowances as a result of the totex incentive mechanism, together with changes in output-related allowances included in the original price control, will almost always be adjusted in future revenue recoveries, typically starting in two years' time. We also receive revenues in relation to certain costs incurred or expected to be incurred (for example pension deficit contributions), with differences between revenues received and cost incurred adjusted in future revenue recoveries, e.g. after a triennial actuarial pension funding valuation has been concluded. Our current IFRS revenues and earnings include these amounts that relate to certain costs incurred in prior years or that will need to be repaid or recovered in future periods. Such adjustments will form an important part of the continuing difference between reported IFRS results and underlying economic performance based on our regulatory obligations.

In the US, accumulated regulatory entitlements cover a range of different areas, with the most significant being environmental remediation and pension assets, as well as deferred storm costs. All regulatory entitlements are recoverable (or repayable) over different periods, which are agreed with the regulators to match the expected payment profile for the liabilities. New England and New York in-year over/(under)-recovery and all New England and New York balances have been translated using the average exchange rate of $1.27 for the year ended 31 March 2025.

	UK Electricity Transmission £m	**UK Electricity Distribution £m**	**UK Electricity System Operator £m**	**New England £m**	**New York £m**	**Continuing £m**	**Discontinued £m**	**Total £m**
1 April 2024 opening balance[1]	**160**	**(282)**	**941**	**(452)**	**662**	**1,029**	**—**	**1,029**
(Under)/over-recovery	**(151)**	**407**	**(479)**	**61**	**(343)**	**(505)**	**—**	**(505)**
Disposal	**—**	**—**	**(462)**	**—**	**—**	**(462)**	**—**	**(462)**
31 March 2025 closing balance to (recover)/return[2]	**9**	**125**	**—**	**(391)**	**319**	**62**	**—**	**62**

	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	Continuing £m	Discontinued £m	Total £m
1 April 2023 opening balance[1]	(213)	(124)	77	(383)	682	39	—	39
(Under)/over-recovery	363	(159)	800	(69)	(20)	915	—	915
31 March 2024 closing balance to (recover)/return[2]	150	(283)	877	(452)	662	954	—	954

	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	Continuing £m	Discontinued £m	Total £m
1 April 2022 opening balance[1]	(95)	22	(129)	(329)	631	100	(160)	(60)
(Under)/over-recovery	(112)	(139)	207	(37)	51	(30)	12	(18)
Disposals	—	—	—	(17)	—	(17)	148	131
31 March 2023 closing balance to (recover)/return[2]	(207)	(117)	78	(383)	682	53	—	53

1. Opening balances have been restated to reflect the finalisation of calculated over/(under)-recoveries in both the UK and the US and also adjusted for the regulatory time value of money impact on opening balances, where appropriate, in the UK.
2. The closing balance at 31 March 2025 was £65 million over-recovered (translated at the closing rate of $1.29:£1). 31 March 2024 was £954 million over-recovered (including discontinued operations and translated at the closing rate of $1.26:£1). 31 March 2023 was £59 million under-recovered (including discontinued operations and translated at the closing rate of $1.23:£1).

Other unaudited financial information continued

Capital investment at constant currency

Capital investment measures are presented at actual exchange rates, but are also shown on a constant currency basis to show the year-on-year comparisons excluding any impact of foreign currency translation movements.

	At actual exchange rates			At constant currency		
Year ended 31 March	2025 £m	2024 £m	change	2025 £m	2024 £m	change
UK Electricity Transmission	2,999	1,912	57%	2,999	1,912	57%
UK Electricity Distribution	1,426	1,247	14%	1,426	1,247	14%
UK Electricity System Operator	—	85	(100%)	—	85	(100%)
New England	1,751	1,673	5%	1,751	1,668	5%
New York	3,289	2,654	24%	3,289	2,645	24%
Capital investment (regulated networks)	9,465	7,571	25%	9,465	7,557	25%
National Grid Ventures	378	662	(43%)	378	661	(43%)
Other	4	2	100%	4	2	100%
Group capital investment – continuing	9,847	8,235	20%	9,847	8,220	20%
Discontinued operations	—	—	—%	—	—	—%
Group capital investment – total	9,847	8,235	20%	9,847	8,220	20%

Capital expenditure

Capital expenditure (for the purposes of measuring green capex aligned to the EU Taxonomy) comprises additions to property, plant and equipment and intangible assets, but excludes capital prepayments and equity contributions to joint ventures and associates during the period.

	2025 £m	2024 £m
Asset type:		
Property, plant and equipment	8,894	7,124
Non-current intangible assets	478	481
Transfers from prepayments	87	43
Group capital expenditure – continuing	9,459	7,648
Equity investments in joint ventures and associates	116	332
Capital expenditure prepayments	359	298
Transfers to capital expenditure additions	(87)	(43)
Group capital investment – continuing	9,847	8,235

Net debt

See note 29 of the financial statements on page 225 for the definition and reconciliation of net debt.

Funds from operations and interest cover

FFO are the cash flows generated by the operations of the Group. Credit rating metrics, including FFO, are used as indicators of balance sheet strength.

Year ended 31 March	2025 £m	2024[1] £m	2023[1] £m
Interest expense (income statement)	**1,810**	1,723	1,680
Hybrid interest reclassified as dividend	**(37)**	(38)	(39)
Capitalised interest	**294**	251	249
Pensions interest adjustment	**13**	9	11
Unwinding of discount on provisions	**(130)**	(102)	(88)
Pension interest	**–**	94	85
Interest charge (discontinued operations)	**–**	–	–
Adjusted interest expense	**1,950**	1,937	1,898
Net cash inflow from operating activities	**6,808**	6,939	6,343
Interest received on financial instruments	**332**	148	65
Interest paid on financial instruments	**(1,920)**	(1,627)	(1,430)
Dividends received	**126**	176	190
Working capital adjustment	**(104)**	49	(286)
Excess employer pension contributions	**26**	27	116
Hybrid interest reclassified as dividend	**37**	38	39
Add back accretions	**152**	208	483
Difference in net interest expense in income statement to cash flow	**(45)**	(253)	(395)
Difference in current tax in income statement to cash flow	**145**	(24)	(281)
Current tax related to prior periods	**–**	–	–
Cash flow from discontinued operations	**–**	–	555
Funds from operations (FFO)	**5,557**	5,681	5,399
FFO interest cover ((FFO + adjusted interest expense)/adjusted interest expense)	**3.8x**	3.9x	3.8x

1. Numbers for 2024 and 2023 reflect the calculations for the total Group as based on the published accounts for the respective years.

Retained cash flow/adjusted net debt

RCF/adjusted net debt is one of two credit metrics that we monitor in order to ensure the Group is generating sufficient cash to service its debts, consistent with maintaining a strong investment-grade credit rating. We calculate RCF/adjusted net debt applying the methodology used by Moody's, as this is one of the most constrained calculations of credit worthiness. The net debt denominator includes adjustments to take account of the equity component of hybrid debt.

Year ended 31 March	2025 £m	2024[1] £m	2023[1] £m
Funds from operations (FFO)	**5,557**	5,681	5,399
Hybrid interest reclassified as dividend	**(37)**	(38)	(39)
Ordinary dividends paid to shareholders	**(1,529)**	(1,718)	(1,607)
RCF	**3,991**	3,925	3,753
Borrowings	**47,539**	47,072	42,985
Less:			
50% hybrid debt	**(814)**	(1,034)	(1,049)
Cash and cash equivalents	**(1,178)**	(578)	(126)
Financial and other investments	**(5,156)**	(3,084)	(1,764)
Underfunded pension obligations	**247**	266	292
Borrowings in held for sale	**–**	13	–
Collateral – cash received under collateral agreements[2]	**–**	–	–
Adjusted net debt (includes pension deficit)	**40,638**	42,655	40,338
RCF/adjusted net debt	**9.8%**	9.2%	9.3%

1. Numbers for 2024 and 2023 reflect the calculations for the total Group as based on the published accounts for that year.
2. Below agency threshold to adjust in 2024, 2023 and 2022.

Other unaudited financial information continued

Regulatory performance measures

Regulated financial performance – UK

Regulatory financial performance is a pre-interest and tax measure, starting at segmental operating profit and making adjustments (such as the elimination of all pass-through items included in revenue allowances and timing) to approximate regulatory profit for the UK regulated activities. This measure provides a bridge for investors between a well-understood and comparable IFRS starting point and through the key adjustments required to approximate regulatory profit. This measure also provides the foundation to calculate Group RoE.

Under the UK RIIO regulatory arrangements the Company is incentivised to deliver efficiencies against cost targets set by the regulator. In total, these targets are set in terms of a regulatory definition of combined total operating and capital expenditure, also termed 'totex'. The definition of totex differs from the total combined regulated controllable operating costs and regulated capital expenditure as reported in this statement according to IFRS accounting principles. Key differences are capitalised interest, capital contributions, exceptional costs, costs covered by other regulatory arrangements and unregulated costs.

For the reasons noted above, the table below shows the principal differences between the IFRS operating profit and the regulated financial performance, but is not a formal reconciliation to an equivalent IFRS measure.

UK Electricity Transmission

Year ended 31 March	2025 £m	2024 £m	2023 £m
Adjusted operating profit	**1,277**	1,677	995
Movement in regulatory 'IOUs'	**256**	(363)	107
UK regulatory notional deferred taxation adjustment	**238**	219	73
RAV indexation – 2% CPIH long-run inflation	**368**	343	309
Regulatory vs IFRS depreciation difference	**(575)**	(553)	(536)
Fast money/other	**(261)**	(119)	37
Pensions	**—**	(2)	(44)
Performance RAV created	**65**	68	68
Regulated financial performance	**1,368**	1,270	1,009

UK Electricity Distribution

Year ended 31 March	2025 £m	2024 £m	2023 £m
Adjusted operating profit	**1,610**	993	1,091
Less non-regulated profits	**(7)**	(8)	(46)
Movement in regulatory 'IOUs'	**(417)**	158	88
UK regulatory notional deferred taxation adjustment	**15**	38	65
RAV indexation – 2% CPIH (2023 and 2022: 3% RPI) long-run inflation	**230**	216	277
Regulatory vs IFRS depreciation difference	**(547)**	(555)	(506)
Fast money/other	**(46)**	(36)	11
Pensions	**—**	—	(157)
Performance RAV created	**(1)**	50	22
Regulated financial performance	**837**	856	845

UK Electricity System Operator

Year ended 31 March	2025 £m	2024 £m	2023 £m
Adjusted operating profit	**(364)**	880	238
Movement in regulatory 'IOUs'	**479**	(800)	(223)
UK regulatory notional deferred taxation adjustment	**3**	2	(4)
RAV indexation – 2% CPIH long-run inflation	**9**	7	7
Regulatory vs IFRS depreciation difference	**(50)**	(19)	32
Fast money/other	**(44)**	(29)	(2)
Pensions	**—**	—	(11)
Performance RAV created	**—**	—	—
Regulated financial performance	**33**	41	37

UK Gas Transmission

Year ended 31 March	2025 £m	2024 £m	2023 £m
Adjusted operating profit	–	–	714
Less non-regulated profits	–	–	(129)
Movement in regulatory 'IOUs'	–	–	(24)
UK regulatory notional deferred taxation adjustment	–	–	28
RAV indexation – 2% CPIH (2021: 3% RPI) long-run inflation	–	–	109
Regulatory vs IFRS depreciation difference	–	–	(331)
Fast money/other	–	–	(1)
Pensions	–	–	(9)
Performance RAV created	–	–	5
Regulated financial performance	–	–	362

Regulated financial performance – US

New England

Year ended 31 March	2025 £m	2024 £m	2023 £m
Adjusted operating profit	**982**	643	708
Major storm costs	**3**	90	72
Timing	**(61)**	69	39
Depreciation adjustment[1]	–	–	(18)
US GAAP pension adjustment and other[2]	**60**	29	34
Regulated financial performance	**984**	831	835

1. The depreciation adjustment relates to the impact of the cessation of depreciation for NECO under IFRS following reclassification as held for sale.
2. £2 million unfavourable COVID-19 bad debt provision adjustment included in 2025 other.

New York

Year ended 31 March	2025 £m	2024 £m	2023 £m
Adjusted operating profit	**1,023**	860	741
Provision for bad and doubtful debts (COVID-19), net of recoveries[1]	**(47)**	(34)	(21)
Major storm costs	**84**	136	186
Timing	**343**	20	(53)
US GAAP pension adjustment	**48**	42	11
Regulated financial performance	**1,451**	1,024	864

1. New York financial performance includes an adjustment reflecting our expectation for future recovery of COVID-19 related provisions for bad and doubtful debts.

Other unaudited financial information continued

Total regulated financial performance

Year ended 31 March	2025 £m	2024 £m	2023 £m
UK Electricity Transmission	**1,368**	1,270	1,009
UK Electricity Distribution	**837**	856	845
UK Electricity System Operator	**33**	41	37
UK Gas Transmission	**–**	–	362
New England	**984**	831	835
New York	**1,451**	1,024	864
Total regulated financial performance	**4,673**	4,022	3,952

New England and New York timing, major storms costs and movement in UK regulatory 'IOUs' – Revenue related to performance in one year may be recovered in later years. Where revenue received or receivable exceeds the maximum amount permitted by our regulatory agreement, adjustments will be made to future prices to reflect this over-recovery. No liability is recognised under IFRS, as such an adjustment to future prices relates to the provision of future services. Similarly, no asset is recognised under IFRS where a regulatory agreement permits adjustments to be made to future prices in respect of an under-recovery. In the UK, this is calculated as the movement in other regulated assets and liabilities.

Performance RAV – UK performance efficiencies are in part remunerated by the creation of additional RAV which is expected to result in future earnings under regulatory arrangements. This is calculated as in-year totex outperformance multiplied by the appropriate regulatory capitalisation ratio and multiplied by the retained company incentive sharing ratio.

Pension adjustment – Cash payments against pension deficits in the UK are recoverable under regulatory contracts. In US regulated operations, US GAAP pension charges are generally recoverable through rates. Revenue recoveries are recognised under IFRS but payments are not charged against IFRS operating profits in the year. In the UK this is calculated as cash payments against the regulatory proportion of pension deficits in the UK regulated business, whereas in the US it is the difference between IFRS and US GAAP pension charges.

2% CPIH and 3% RPI RAV indexation – Future UK revenues are expected to be set using an asset base adjusted for inflation. This is calculated as UK RAV multiplied by 2% long-run CPIH inflation assumption under RIIO-2 and a 3% long-run RPI inflation assumption under RIIO-1.

UK regulatory notional deferred taxation adjustment – Future UK revenues are expected to recover cash taxation cost including the unwinding of deferred taxation balances created in the current year. This is the difference between: (1) IFRS underlying EBITDA less other regulatory adjustments; and (2) IFRS underlying EBITDA less other regulatory adjustments less current taxation (adjusted for interest tax shield) then grossed up at full UK statutory tax rate.

Regulatory depreciation – US and UK regulated revenues include allowance for a return of regulatory capital in accordance with regulatory assumed asset lives. This return does not form part of regulatory profit.

Fast/slow money adjustment – The regulatory remuneration of costs incurred is split between in-year revenue allowances and the creation of additional RAV. This does not align with the classification of costs as operating costs and fixed asset additions under IFRS accounting principles. This is calculated as the difference between IFRS classification of operating costs versus fixed asset additions and the regulatory classification.

Regulated asset base

The regulated asset base is a regulatory construct, based on predetermined principles not based on IFRS. It effectively represents the invested capital on which we are authorised to earn a cash return. By investing efficiently in our networks, we add to our regulated asset base over the long term, and this in turn contributes to delivering shareholder value. Our regulated asset base comprises our regulatory asset value in the UK plus our rate base in the US.

Maintaining efficient investment in our regulated asset base ensures we are well positioned to provide consistently high levels of service to our customers and increases our revenue allowances in future years. While we have no specific target, our overall aim is to achieve around 10% growth in regulated asset base each year through continued investment in our networks in both the UK and US.

In the UK, the way in which our transactions impact RAV is driven by principles set out by Ofgem. In a number of key areas these principles differ from the requirements of IFRS, including areas such as additions and the basis for depreciation. Further, our UK RAV is adjusted annually for inflation. RAV in each of our retained UK businesses has evolved over the period since privatisation in 1990 and, as a result, historical differences between the initial determination of RAV and balances reported under UK GAAP at that time still persist. In the case of UK ED, differences arise as the result of acquisition fair value adjustments (where PP&E at acquisition has been valued above RAV). Due to the above, substantial differences exist in the measurement bases between RAV and an IFRS balance metric, and therefore it is not possible to provide a meaningful reconciliation between the two.

In the US, rate base is a regulatory measure determined for each of our main US operating companies. It represents the value of property and other assets or liabilities on which we are permitted to earn a rate of return, as set out by the regulatory authorities for each jurisdiction. The calculations are based on the applicable regulatory agreements for each jurisdiction and include the allowable elements of assets and liabilities from our US companies. For this reason, it is not practical to provide a meaningful reconciliation from the US rate base to an equivalent IFRS measure. However, we include the calculation on page 291.

'Total regulated and other balances' for our UK regulated businesses include the under- or over-recovery of allowances that those businesses target to collect in any year, which are based on the regulator's forecasts for that year. Under the UK price control arrangements, revenues will be adjusted in future years to take account of actual levels of collected revenue, costs and outputs delivered when they differ from those regulatory forecasts. In the US, other regulatory assets and liabilities include regulatory assets and liabilities which are not included in the definition of rate base, including working capital where appropriate.

'Total regulated and other balances' for NGV and other businesses includes assets and liabilities as measured under IFRS, but excludes certain assets and liabilities such as pensions, tax, net debt and goodwill.

Year ended 31 March (£m at constant currency)	RAV, rate base or other business assets		Total regulated and other balances	
	2025 **£m**	2024[1] £m	**2025[2,3]** **£m**	2024[1,2,3] £m
UK Electricity Transmission	**20,570**	18,388	**20,290**	17,886
UK Electricity Distribution	**12,235**	11,497	**11,954**	11,633
UK Electricity System Operator	**—**	425	**—**	(466)
New England	**9,422**	8,512	**11,329**	10,325
New York	**17,923**	16,015	**19,752**	17,029
Total regulated	**60,150**	54,837	**63,325**	56,407
National Grid Ventures and other business balances	**7,352**	7,509	**5,942**	6,533
Total Group regulated and other balances	**67,502**	62,346	**69,267**	62,940

1. Figures relating to prior periods have, where appropriate, been re-presented at constant currency, for segmental reorganisation, opening balance adjustments following the completion of the UK regulatory reporting pack process and finalisation of US balances.
2. Includes totex-related regulatory IOUs of £250 million (2024: £514 million) and over-recovered timing balances of £62 million (2024: £744 million over-recovered).
3. Includes assets for construction work-in-progress of £2,528 million (2024: £2,068 million), other regulatory assets related to timing and other cost deferrals of £1,113 million (2024: £1,279 million) and net working capital assets of £95 million (2024: £455 million net working capital liabilities).

New England and New York rate base and other total regulated and other balances for 31 March 2024 have been re-presented in the table above at constant currency. At actual currency the values were £10.6 billion and £17.4 billion respectively.

Group RoE

Group RoE provides investors with a view of the performance of the Group as a whole compared with the amounts invested by the Group in assets attributable to equity shareholders. It reflects the regulated activities as well as the contribution from our non-regulated businesses together with joint ventures and non-controlling interests. We use Group RoE to measure our performance in generating value for our shareholders, and targets for Group RoE are included in APP and LTPP incentive mechanisms for Executive members. Group RoE is underpinned by our regulated asset base. This year, to improve how the metric reflects business performance, we updated our calculation to 'amortise' goodwill and indefinite-lived intangible assets in the denominator over 20 years, to reflect the estimated period over which the value related to the premium paid on acquisition would be realised. For the reasons noted above, no reconciliation to IFRS has been presented, as we do not believe it would be practical.

Calculation: Regulatory financial performance including a long-run inflation assumption (3% RPI for RIIO-1; 2% CPIH for RIIO-2), less adjusted interest and adjusted taxation divided by equity investment in assets:
- adjusted interest removes accretions above long-run inflation rates, interest on pensions, capitalised interest in regulated operations and unwind of discount rate on provisions;
- adjusted taxation adjusts the Group taxation charge (before exceptional items and remeasurements) for differences between IFRS profit before tax and regulated financial performance less adjusted interest; and
- equity investment in assets is calculated as opening UK RAV, opening US rate base, goodwill and indefinite-lived intangibles (adjusted for 'asset swap' transactions and the 'value realisation' of goodwill over 20 years), plus opening net book value of NGV and other activities (excluding certain pensions, tax and commodities balances) and our share of JVs and associates, minus opening net debt as reported under IFRS restated to the weighted average sterling–dollar exchange rate for the year.

Year ended 31 March	**2025** **£m**	2024 £m	2023 £m
Regulated financial performance	**4,673**	4,022	3,952
Operating profit of other activities – continuing and discontinued operations	**275**	467	708
Group financial performance	**4,948**	4,489	4,660
Share of post-tax results of joint ventures and associates[1]	**100**	174	202
Non-controlling interests	**(3)**	(1)	—
Adjusted total Group interest charge (including discontinued)	**(1,590)**	(1,613)	(1,546)
Total Group tax charge (including discontinued)	**(861)**	(983)	(734)
Tax on adjustments	**8**	270	7
Total Group financial performance after interest and tax	**2,602**	2,336	2,589
Opening rate base/RAV	**55,326**	50,806	55,558
Opening other balances	**8,223**	7,973	5,410
Opening RAV, rate base and other balances	**63,549**	58,779	60,968
Opening goodwill	**11,430**	11,444	12,253
Opening goodwill adjustment (realisation of value over 20 years)[2]	**(4,441)**	(4,053)	(4,257)
Opening strategic pivot (asset swap) adjustment[3]	**(3,450)**	(3,464)	—
Opening capital employed	**67,088**	62,706	68,964
Opening net debt	**(43,509)**	(40,505)	(49,691)
Rights Issue adjustment (£6.8 billion net proceeds pro-rated from June 2024)	**5,471**	—	—
Opening equity	**29,050**	22,201	19,273
Group RoE	**9.0%**	10.5%	13.4%

1. 2025 includes £25 million (2024: £73 million; 2023: £12 million) in respect of the Group's minority interest in National Gas Transmission, which was fully divested during 2024/25.
2. Calculation methodology updated in 2024/25 to 'amortise' goodwill and intangibles on a straight-line basis over 20 years, resulting in an increase of 120bps in 2024/25 (2024: 160bps; 2023: 240bps) in the Group RoE metric.
3. The regulatory gains on disposal of NECO and UK Gas Transmission (proceeds received less RAV, rate base and other related balances used to calculate the Group RoE denominator) deducted against IFRS goodwill and indefinite-lived intangibles recognised on acquisition of NGED. For this metric, the purchase of NGED and sales of NECO and UK Gas Transmission were deemed to be linked transactions with the opening equity reflecting the impact of these as asset swaps rather than as unrelated transactions.

Other unaudited financial information continued

Group RoE three-year average calculation

The Group RoE metrics for each of the years 2024/25, 2023/24 and 2022/23 are provided in the table above, resulting in a historical three-year average Group RoE of 11.0%. With regards to the 2022 LTPP, the reported three year average includes impacts of exceptional macro-economic factors which were not anticipated when the 2022 LTPP targets were set. To address these impacts for the 2022 LTPP both the numerator and denominator in Group RoE have been normalised for these impacts. This involves adjusting revenues and interest costs in the numerator to align with macro-economic assumptions used to set the 2022 LTPP targets, resulting in a small reduction of £20 million (three-year average). In addition, the denominator has been adjusted to reflect the impact of higher indexation, resulting in a reduction of £1.7 billion (three-year average). The overall impact is a three-year normalised Group RoE of 11.4% for the 2022 LTPP outturn.

UK and US regulated RoE

		Achieved Return on Equity		Base or Allowed Return on Equity	
Year ended 31 March	Regulatory Debt: Equity assumption	2025 %	2024 %	2025 %	2024 %
UK Electricity Transmission	55/45	8.3	8.0	7.3	7.0
UK Electricity Distribution	60/40	7.9	8.5	7.7	7.4
New England	Avg. 45/55	9.1	9.2	9.9	9.9
New York	Avg. 52/48	8.7	8.5	9.2	8.9

UK businesses' regulated RoEs

UK regulated businesses' RoEs are a measure of how the businesses are performing against the assumptions used by our UK regulator. These returns are calculated using the assumption that the businesses are financed in line with the regulatory adjudicated capital structure, at the cost of debt assumed by the regulator, and that inflation is equal to a long-run assumption of 3% RPI under RIIO-1 and 2% CPIH under RIIO-2. They are calculated by dividing elements of out/under-performance versus the regulatory contract (i.e. regulated financial performance disclosed above) by the average equity RAV in line with the regulatory assumed capital structure and adding to the base allowed RoE.

These are important measures of UK regulated businesses' performance, and our operational strategy continues to focus on these metrics. These measures can be used to determine how we are performing under the RIIO framework and also help investors to compare our performance with similarly regulated UK entities. Reflecting the importance of these metrics, they are also key components of the APP scheme.

The respective businesses' UK RoEs are underpinned by their RAVs. For the reasons noted above, no reconciliation to IFRS has been presented, as we do not believe it would be practical.

US businesses' regulated RoEs

US regulated businesses' RoEs are a measure of how the businesses are performing against the assumptions used by the US regulators. This US operational return measure is calculated using the assumption that the businesses are financed in line with the regulatory adjudicated capital structure and allowed cost of debt. The returns are divided by the average rate base (or where a reported rate base is not available, an estimate based on rate base calculations used in previous rate filings) multiplied by the adjudicated equity portion in the regulatory adjudicated capital structure.

These are important measures of our New England and New York regulated businesses' performance, and our operational strategy continues to focus on these metrics. This measure can be used to determine how we are performing and also helps investors compare our performance with similarly regulated US entities. Reflecting the importance of these metrics, they are also key components of the APP scheme.

The New England and New York businesses' returns are based on a calculation which gives proportionately more weighting to those businesses which have a greater rate base. For the reasons noted above, no reconciliations to IFRS for the RoE measures have been presented, as we do not believe it would be practical to reconcile our IFRS balance sheet to the equity base.

The table below shows the principal differences between the IFRS result of the New England and New York segments, and the 'returns' used to derive their respective US jurisdictional RoEs. In outlining these differences, we also include the aggregated business results under US GAAP for New England and New York jurisdictions.

In respect of 2023/24 and 2022/23, this measure is the aggregate operating profit of our US OpCo entities' publicly available financial statements prepared under US GAAP for the New England and New York jurisdictions respectively. For 2024/25, this measure represents our current estimate, since local financial statements have yet to be prepared.

	2025 £m	2024 £m	2023 £m
Underlying IFRS operating profit for New England segment	924	802	819
Underlying IFRS operating profit for New York segment	1,450	1,016	874
Weighted average £/$ exchange rate	$1.266	$1.262	$1.216

	New England			New York		
	2025 $m	2024 $m	2023 $m	**2025 $m**	2024 $m	2023 $m
Underlying IFRS operating profit for US segments	**1,170**	1,013	995	**1,836**	1,283	1,060
Adjustments to convert to US GAAP as applied in our US OpCo entities						
Adjustment in respect of customer contributions	**(30)**	(29)	(26)	**(51)**	(37)	(34)
Pension accounting differences[1]	**78**	43	39	**61**	63	12
Environmental charges recorded under US GAAP	**5**	10	(3)	**(144)**	21	58
Storm costs and recoveries recorded under US GAAP	**(59)**	(56)	(54)	**(7)**	6	(39)
Removal of partial year Rhode Island in year of disposal	**—**	—	(65)	**—**	—	—
Other regulatory deferrals, amortisation and other items	**(314)**	(139)	(217)	**(518)**	(155)	86
Results for US regulated OpCo entities, aggregated under US GAAP[2]	**850**	842	669	**1,177**	1,181	1,143
Adjustments to determine regulatory operating profit used in US RoE						
Adjustment for COVID-19-related provision for bad and doubtful debts[3]	**—**	—	—	**—**	—	(171)
Net other	**96**	14	113	**374**	151	171
Regulatory operating profit	**946**	856	782	**1,551**	1,332	1,143
Pensions[1]	**70**	60	(17)	**169**	159	219
Regulatory interest charge	**(219)**	(199)	(176)	**(459)**	(374)	(339)
Regulatory tax charge	**(218)**	(196)	(159)	**(351)**	(305)	(279)
Regulatory earnings used to determine US RoE	**579**	521	430	**910**	812	744

1. Following a change in US GAAP accounting rules, an element of the pensions charge is reported outside operating profit with effect from 2019.
2. Based on US GAAP accounting policies as applied by our US regulated OpCo entities.
3. US RoE included an adjustment reflecting our expectation for future recovery of COVID-19-related bad and doubtful debt costs in 2020/21. The adjustment is being unwound as regulated assets are recognised in respect of the same debts in our US GAAP accounts.

In addition to the regulatory earnings used to determine US RoE, our US regulated businesses also earn a return on assets outside of rate base (principally construction work-in-progress) of $2.5 billion (2024: $2.3 billion) in New England and $2.4 billion (2024: $1.3 billion) in New York. In 2024/25, this additional return amounted to $75 million (2024: $66 million) in New England and $119 million (2024: $79 million) in New York. The aggregate of regulatory earnings used to determine US RoE and the return on assets outside of rate base for the year was $654 million (2024: $587 million) for New England and $1,029 million (2024: $891 million) for New York.

	New England			New York		
	2025 $m	2024 $m	2023 $m	**2025 $m**	2024 $m	2023 $m
US equity base (average for the year)	**6,352**	5,645	5,155	**10,512**	9,517	8,670
US jurisdiction RoE	**9.1%**	9.2%	8.3%	**8.7%**	8.5%	8.6%

Information on differences between IFRS and regulatory balances

There are certain significant assets and liabilities included in our IFRS balance sheet, which are treated differently in the analysis below and to which we draw readers' attention. Our UK OpCo RAVs are different to the IFRS carrying value of PP&E and intangibles in these entities. For example the annual indexation (inflationary uplift) adjustment applied to RAV compared with the IFRS value of these assets (which are held at amortised cost) or in the case of UK ED, the result of acquisition fair value adjustments (where PP&E at acquisition has been valued above RAV). In addition, under IFRS we recognise liabilities in respect of US environmental remediation costs, and pension and OPEB costs. For regulatory purposes, these are not shown as obligations because we are entitled to full recovery of costs through our existing rate plans. The impact of US tax reform in 2017/18 which resulted in a reduction in IFRS deferred tax liabilities, and from a regulatory perspective remains as a future obligation, results in a regulatory liability within US rate base. Regulatory IOUs which reflect net over- or under-recoveries compared with our regulatory allowances are treated within this table as obligations (or rights) but do not qualify for recognition as liabilities (or assets) under IFRS. The decrease in regulatory assets as a result of the disposal of our UK Electricity System Operator business is excluded from our asset growth and regulated asset growth calculations. However, the associated balances are included within amounts reported as at 31 March 2024. Within our asset growth calculation, total assets and other balances exclude the impact of reclassifications to held for sale.

Other unaudited financial information continued

Asset growth and regulated asset growth

To help readers' assessment of the financial position of the Group, the table below shows an aggregated position for the Group, as viewed from a regulatory perspective. The asset growth and regulated asset growth measures included in the table below are calculated in part from financial information used to derive measures sent to and used by our regulators in the UK and US, and accordingly inform certain of the Group's regulatory performance measures, but are not derived from, and cannot be reconciled to, IFRS. These alternative performance measures include regulatory assets and liabilities and certain IFRS assets and liabilities of businesses that were classified as held for sale under IFRS 5.

Asset growth is the annual percentage increase in our RAV and US rate base and other non-regulated business balances (including our investments in NGV, UK property and other assets and US other assets) calculated at constant currency.

Regulated asset growth is the annual percentage increase in our RAV and US rate base (calculated at constant currency), but does not include other non-regulated business balances.

	2024/25				
£m	**31 March 2025**	**Sale of ESO**	**31 March 2024**	**Increase**	**Asset growth**
UK RAV	**32,805**	**(469)**	**30,310**	**2,964**	**9.8%**
US rate base	**27,345**	**—**	**24,527**	**2,818**	**11.5%**
Total RAV and rate base (used to calculate regulated asset growth)	**60,150**	**(469)**	**54,837**	**5,782**	**10.5%**
National Grid Ventures and other	**7,352**	**—**	**7,509**	**(157)**	**(2.1)%**
Total assets (used to calculate asset growth)	**67,502**	**(469)**	**62,346**	**5,625**	**9.0%**

For 2024/25, asset growth and regulated asset growth are calculated excluding the reduction in RAV as a result of the sale of the UK Electricity System Operator business, based on an estimated RAV value as at 1 October 2024 (the date of disposal).

	2023/24			
£m	31 March 2024	31 March 2023	Increase	Asset growth
UK RAV	30,356	28,292	2,064	7.3%
US rate base	25,097	22,517	2,580	11.5%
Total RAV and rate base (used to calculate regulated asset growth)	55,453	50,809	4,644	9.1%
National Grid Ventures and other	7,593	6,639	954	14.4%
Total assets (used to calculate asset growth)	63,046	57,448	5,598	9.7%

Figures relating to prior periods have, where appropriate, been re-presented at constant currency, for opening balance adjustments following the completion of the UK regulatory reporting pack process and finalisation of US balances.

Regulatory gearing

Regulatory gearing is a measure of how much of our investment in RAV and rate base and other elements of our invested capital (including our investments in NGV, UK property and UK other assets and US other assets) is funded through debt. Comparative amounts as at 31 March 2024 are presented at historical exchange rates and have not been restated for opening balance adjustments.

As at 31 March	**2025 £m**	2024 £m	change
UK RAV	**32,805**	30,356	
US rate base	**27,345**	25,097	
Other invested capital included in gearing calculation	**7,352**	7,593	
Total assets included in gearing calculation	**67,502**	63,046	
Net debt (including 100% of hybrid debt and held for sale)	**(41,316)**	(43,584)	
Group gearing (based on 100% of net debt including held for sale)	**61%**	69%	(8% pts)
Group gearing (excluding 50% of hybrid debt from net debt) including held for sale	**60%**	67%	(7% pts)

Rebased dividend per share

The table below reconciles the actual dividend per share paid with a 'rebased dividend per share' calculated using a hypothetical assumption that all of the additional shares from the Rights Issue existed for previous reporting periods. Using this methodology the 'rebased dividend per share' equates to 45.264p per share.

	Total dividend £m	Number of shares millions	**Actual dividend per share pence**	Rights Issue additional shares millions	Total number of shares (rebased) millions	**Rebased dividend per share pence**
Final dividend in respect of the year ended 31 March 2024	1,454	3,717	**39.12p**	1,085	4,802	**30.28p**
Interim dividend in respect of the year ended 31 March 2024	713	3,676	**19.40p**	1,085	4,761	**14.98p**
Total dividend for the year ended 31 March 2024	2,167	n/a	**58.52p**	1,085	n/a	**45.26p**

Commentary on consolidated financial statements

for the year ended 31 March 2024

In compliance with SEC rules, we present a summarised analysis of movements in the income statement and an analysis of movements in adjusted operating profit (for the continuing Group) by operating segment. This should be read in conjunction with the 31 March 2024 Financial review included on pages 61 – 67.

Analysis of the income statement for the year ended 31 March 2024

Revenue

Revenue from continuing operations for the year ended 31 March 2024 decreased by £1,809 million to £19,850 million. Lower revenues were primarily the result of lower pass-through costs. The decrease includes decreases in UK Electricity System Operator balancing service costs and lower US commodity pass-through costs in New York and New England and the disposal of our Rhode Island business. Other activities revenues decreased, driven by £201 million lower property site sales.

Operating costs

Operating costs from continuing activities for the year ended 31 March 2024 of £14,400 million were £2,978 million lower than prior year. This decrease in costs excludes the exceptional items and remeasurements impacts, which is discussed below. Operating costs were driven by lower UK Electricity System Operator balancing service pass-through costs down £1,566 million and decreased gas and electricity purchases (mostly on behalf of our US customers) down £1,412 million, with the underlying cause of both of these being lower global energy prices. Higher depreciation as a result of continued asset investment was up £77 million compared with 2022/23. Provisions for bad and doubtful debts of £179 million were recorded in the year, £41 million lower than 2022/23, principally as a result of the non-recurrence of the COVID arrears reviews.

Net finance costs

Net finance costs (excluding remeasurements) for 2023/24 were £1,479 million, down from £1,514 million in the prior year, driven by a £275 million impact of lower inflation on index-linked debt along with adverse non-debt interest income (discount unwind, tax interest), compared with 2022/23.

Tax

The tax charge on profits before exceptional items and remeasurements of £983 million was £348 million higher than 2022/23. This is driven by higher taxable profits (primarily driven by timing over-collections compared with 2022/23) along with the impact of the increase in the UK corporation tax rate to 25% in 2023/24 (19% in the prior year).

Exceptional items and remeasurements

Exceptional items in 2023/24 included £496 million of charges for environmental provisions (2022/23: £176 million credit), a £498 million provision for the return of over-collected revenues related to UK electricity balancing costs, insurance recoveries of £92 million relating to the IFA1 fire (2022/23: £130 million). Transaction, separation and integration costs decreased from £117 million to £44 million in 2023/24, with cost efficiency programme costs also decreasing to £65 million in 2023/24 from £100 million in 2022/23. In 2022/23, exceptional items also included £511 million of gains related to disposal of NECO and £335 million of gain relating to the disposal of Millennium Pipeline Company LLC.

Remeasurement losses of £24 million were recognised on commodity contracts in 2023/24 compared with losses of £350 million in 2022/23.

Finance costs for the year ended 31 March 2024 included a net gain of £15 million on financial remeasurements of derivative financial instruments and financial assets at fair value through profit or loss, compared to a net gain of £54 million on financial remeasurements in 2022/23.

Joint ventures and associates

Share of post-tax results of joint ventures and associates before exceptional items for 2023/24 were £101 million compared with £190 million in 2022/23, principally due to lower revenues in our BritNed interconnector joint venture in the UK and the disposal of our interest in Millennium Pipeline Company LLC.

Profit after tax from discontinued operations

Adjusted profit after tax from discontinued operations was lower at £13 million in 2023/24 compared with £320 million in 2022/23 principally as a result of our disposal of our majority interest in the UK Gas Distribution business in January 2023. On 11 March 2024 the FAA option was partially exercised. Statutory profit after tax from discontinued operations also included exceptional operating costs and remeasurement losses of £62 million in 2023/24 compared with remeasurement gains of £46 million in 2022/23.

Adjusted earnings and EPS from continuing operations

Adjusted earnings and adjusted EPS, which exclude exceptional items and remeasurements, are provided to reflect the Group's results on an 'adjusted profit' basis, described further in note 8. See page 190 for a reconciliation of adjusted basic EPS to EPS.

The above earnings performance translated into adjusted EPS in 2023/24 of 77.7p, compared with 59.0p in 2022/23. Including discontinued operations, adjusted EPS in 2023/24 of 78.0p, compared with 67.1p in 2022/23. All comparative period EPS figures have been restated to reflect the impact of the bonus element of the Rights Issue.

Exchange rates

Our financial results are reported in sterling. Transactions for our US operations are denominated in dollars, so the related amounts that are reported in sterling depend on the dollar to sterling exchange rate. The table below shows the average and closing exchange rates of sterling to US dollars.

	2023/24	2022/23	% change
Weighted average (income statement)	**1.26**	1.22	3%
Year end (statement of financial position)	**1.26**	1.23	3%

The movement in foreign exchange during 2023/24 has resulted in a £405 million decrease in revenue, a £52 million decrease in adjusted operating profit and a £62 million decrease in underlying operating profit.

Commentary on consolidated financial statements continued

for the year ended 31 March 2024

Analysis of the adjusted operating profit by segment for the year ended 31 March 2024

UK Electricity Transmission

For 2023/24, revenue in the UK Electricity Transmission segment increased by £748 million to £2,735 million, and adjusted operating profit increased by £682 million to £1,677 million. Revenue was higher due to favourable timing, the non-repeat of the return of allowances for Western Link liquidated damages and increased inflation. Regulated controllable costs including pensions were higher as a result of higher energy costs which more than offset efficiency savings. The increase in depreciation and amortisation is a result of having higher asset base and asset commissioning. Other costs were also higher, due to higher Network Innovation Allowance costs.

Capital investment increased by £611 million compared with 2022/23 to £1,912 million primarily due to the ASTI projects (including capacity payments to secure the supply chain), and Customer Connections.

UK Electricity Distribution

For 2023/24 revenue in UK Electricity Distribution segment decreased by £250 million compared with 2022/23 as a result of lower incentives. Regulated controllable costs were higher due to inflationary and workload increases. Other costs were higher, primarily due to no repeat of benefit from sale of smart metering in prior year.

Capital investment for the period 2023/24 was £1,247 million, an increase of £27 million from 2022/23 due to additional asset health funding in ED-2 including overhead line clearance, growth in connections partly offset by lower reinforcement capital expenditure.

UK Electricity System Operator

For 2023/24, revenue in the UK Electricity System Operator segment decreased by £902 million to £3,788 million principally as a result of lower pass-through costs. Net underlying revenue was £52 million higher, as the result of higher totex spend and an updated revenue assumption for Future System Operator spend. During 2023/24 UK Electricity System Operator had a timing over-recovery as a result of higher revenues collected through BSUoS fixed price tariffs compared with total system balancing costs incurred for the year. Regulated controllable costs including pensions were £41 million higher due to higher volume of work under RIIO-2 and additional NESO costs ahead of separation. Depreciation and amortisation was £40 million lower due to the business being classified as 'held for sale' (HFS) in October 2023, partially offset by a higher asset base from ongoing investment.

Capital investment was £23 million in 2023/24 compared to 2022/23 as a result of the business being classified as HFS and therefore only 7 months of capex is captured. On a like-for-like basis (12 months), capex would have been over 50% higher.

New England

Revenue in the New England segment decreased by £479 million to £3,948 million. Of this decrease, £162 million was due to the sale of the Rhode Island business partway through the prior year and £164 million reflects the US dollar weakening. Adjusted operating profit decreased by £65 million to £643 million. Excluding pass-through costs, timing swings and the impact of the Rhode Island disposal, underlying net revenue increased by £176 million principally reflecting increased rate case increments in Massachusetts Gas and Massachusetts Electric. Regulated controllable costs decreased by £54 million as a result of the sale of Rhode Island and efficiency savings, partially offset by inflation and increased workload. Provisions for bad and doubtful debts were £25 million higher at a constant currency and excluding the Rhode Island impact, due to higher accounts receivable in 2023/24. Depreciation and amortisation was £41 million higher at a constant currency and excluding the Rhode Island impact, as a result of increased capital investment. Other costs were £54 million higher at a constant currency and excluding the impact of Rhode Island due to increases in environmental reserves and capital-related operating and maintenance costs partially offset by the benefit of a gain on a pension buyout.

Capital investment increased by £203 million to £1,673 million, at a constant currency and excluding the impact of Rhode Island reflecting higher electric investment driven by transmission asset conditioning and gas investment driven by the Gas System Enhancement Plan.

New York

Revenue in the New York segment decreased by £900 million to £6,094 million. Adjusted operating profit increased by £119 million to £860 million. Excluding pass-through costs and timing swings, underlying net revenue increased by £221 million (at constant currency) predominately driven by increased rates in KEDNY/KEDLI. Regulated controllable costs were lower due to workload and inflation increases being more than offset by cost efficiency savings and one-off items from 2022/23 not recurring. Provisions for bad and doubtful debts decreased by £61 million, driven by non-recurrence of write-offs related to phase 1 and 2 of the Arrears Management Programme. Depreciation and amortisation increased due to the growth in assets. Other costs (on an underlying basis) increased due to higher energy efficiency programmes and increased property taxes (offset by rate increases).

Capital investment increased by £291 million to £2,654 million, as a result of higher electricity network reinforcement and gas capital investment driven by main replacement work.

National Grid Ventures (NGV)

Revenue in the NGV segment increased by £48 million to £1,389 million, driven by improved availabilities in our North Sea Link interconnector (which benefited from an increase in the revenue cap following Ofgem review).

Capital investment in NGV was £293 million lower than 2022/23, following higher capital investment in 2022/23 on projects completed in that year.

Other activities

In 2023/24, adjusted operating profit decreased by £91 million to a £60 million loss, primarily driven by St William property sales not recurring in 2023/24.

Capital investment was £11 million lower than 2022/23 due to lower investment following the St William property sale.

Discontinued operations – UK Gas Transmission and Metering

Following the Group's disposal of a 60% controlling stake in the UK Gas Transmission business in the year ended 31 March 2023, the Group completed the sale of a further 20% of its retained interest in the business (held through GasT TopCo Limited) on 11 March 2024. The remaining interest was classified as a business held for sale. The Group has not applied equity accounting in relation to the retained interest, resulting in no subsequent profits being recognised from the date of sale of our 60% interest onwards.

Definitions and glossary of terms

Our aim is to use plain English in this Annual Report and Accounts. However, where necessary, we do use a number of technical terms and abbreviations. We summarise the principal ones below, together with an explanation of their meanings. The descriptions below are not formal legal definitions. Alternative and regulatory performance measures are defined on pages 280 – 295.

A

Adjusted interest
A measure of the interest charge of the Group, calculated by making adjustments to the Group reported interest charge.

Adjusted net debt
A measure of the indebtedness of the Group, calculated by making adjustments to the Group reported borrowings, including adjustments made to include elements of pension deficits and exclude elements of hybrid debt financing.

Adjusted results (also referred to as headline results)
Financial results excluding the impact of exceptional items and remeasurements that are treated as discrete transactions under IFRS and can accordingly be classified as such.

American Depositary Shares (ADSs)
Securities of National Grid listed on the NYSE each of which represents five ordinary shares. They are evidenced by American Depositary Receipts or ADRs.

Annual General Meeting (AGM)
Meeting of shareholders of the Company held each year to consider ordinary and special business as provided in the Notice of AGM.

ASTI
The Accelerated Strategic Transmission Investment framework to connect 50GW of offshore generation by 2030, announced by Ofgem in December 2022.

B

bps
Basis point (bp) is a unit that is equal to 1/100th of 1% and is typically used to denote the movement in a percentage-based metric such as interest rates or RoE. A 0.1% change in a percentage represents 10 basis points.

Board
The Board of Directors of the Company (for more information, see pages 99 and 102).

BritNed
BritNed Development Limited, a joint venture company in which National Grid and TenneT, the Dutch national transmission system operator, each hold 50% of the shares.

BSUoS
Balancing Service Use of System (charges) are revenues collected by UK Electricity System and regulated by Ofgem.

C

Called-up share capital
Shares (common stock) that have been issued and have been fully paid for.

Capital tracker
In the context of our US rate plans, this is a mechanism that allows the recovery of the revenue requirement of incremental capital investment above that embedded in base rates, including depreciation, property taxes and a return on the incremental investment.

Carbon capture usage and storage (CCUS)
The process of capturing carbon dioxide (CO_2) for the purpose of recycling it for further usage and/or determining safe and permanent storage options for it.

Carrying value
The amount at which an asset or a liability is recorded in the Group's statement of financial position and the Company's balance sheet.

Child risk
A management team or directorate level owned or managed risk that has a supportive or contributing relationship to a GPR or other risk at a higher escalation level.

Clean Energy
Clean energy is energy that, when used, creates little or no GHG emissions.

Climate Transition Plan (CTP)
The plan sets out our actions to meet our Group greenhouse gas reduction targets by 2030. We have committed to update the plan every three years (minimum).

The Company, the Group, National Grid, we, our or us
We use these terms to refer to either National Grid plc itself or to National Grid plc and/or all or certain of its subsidiaries, depending on context.

Consolidated financial statements
Financial statements that include the results and financial position of the Company and its subsidiaries together as if they were a single entity.

Constant currency
Constant currency basis refers to the reporting of the actual results against the results for the same period last year, which, in respect of any US$ currency denominated activity, have been translated using the average US$ exchange rate for the year ended 31 March 2025, which was $1.26637 to £1. The average rate for the year ended 31 March 2024 was $1.2624 to £1, for the year ended 31 March 2023 was $1.2156 to £1, and for the year ended 31 March 2022 was $1.3483 to £1. Assets and liabilities as at 31 March 2024 have been retranslated at the closing rate at 31 March 2025 of $1.29160 to £1. The closing rate for the balance sheet date 31 March 2024 was $1.26225 to £1.

Contingent liabilities
Possible obligations or potential liabilities arising from past events for which no provision has been recorded, but for which disclosure in the financial statements is made.

COP29
The 29th UN Climate Change Conference of the Parties held in Baku, in Azerbaijan, in November 2024 at which the Company gave various keynote speeches.

CPIH
The UK Consumer Prices Index including Owner Occupiers' Housing Costs as published by the Office for National Statistics.

D

DB
Defined benefit, relating to our UK or US (as the context requires) final salary pension schemes.

Definitions and glossary of terms continued

Deferred tax
For most assets and liabilities, deferred tax is the amount of tax that will be payable or receivable in respect of that asset or liability in future tax returns as a result of a difference between the carrying value for accounting purposes in the statement of financial position or balance sheet and the value for tax purposes of the same asset or liability.

Deposit agreement
The amended and restated Deposit agreement entered into between National Grid plc, the Depositary and all the registered holders of ADRs, pursuant to which ADSs have been issued, dated 23 May 2013, and any related agreement.

Depositary
The Bank of New York Mellon acting as ADS Depositary.

Derivative
A financial instrument or other contract where the value is linked to an underlying index, such as exchange rates, interest rates or commodity prices. In most cases, we exclude contracts for the sale or purchase of commodities that are used to supply customers or for our own needs from this definition.

DESNZ
The Department for Energy Security and Net Zero, the UK Government department established in February 2023 and focused on the energy portfolio of the former Department for Business, Energy and Industrial Strategy (BEIS).

Directors/Executive Directors/ Non-executive Directors
The Directors/Executive Directors and Non-executive Directors of the Company, whose names are set out on pages 99 - 103 of this document.

Distributed energy resources (DER)
Decentralised assets, generally located behind the meter, covering a range of technologies including solar, storage, electric vehicle charging, district heating, smart street lighting and combined heat and power.

Dollars or $
Except as otherwise noted, all references to dollars or $ in this Annual Report and Accounts relate to the US currency.

DSO
Distribution System Operator.

Dth
Decatherm, being an amount of energy equal to 1 million British thermal units (BTUs), equivalent to approximately 293 kWh.

E

Earnings per share (EPS)
Profit for the year attributable to equity shareholders of the Company allocated to each ordinary share.

Employee engagement
A key performance indicator (KPI), based on the percentage of favourable responses to certain indicator questions repeated in each employee survey. It is used to measure how employees think, feel and act in relation to National Grid. Research shows that a highly engaged workforce leads to increased productivity and employee retention. We use employee engagement as a measure of organisational health in relation to business performance.

Employee Resource Group (ERG)
A voluntary, employee-led group whose aim is to foster an inclusive workplace, aligned with the organisations they serve.

Estate Tax Convention
The convention between the US and the UK for the avoidance of double taxation with respect to estate and gift taxes.

Exchange Act
The US Securities Exchange Act 1934, as amended.

F

FERC
The US Federal Energy Regulatory Commission.

Finance lease
A lease where the asset is treated as if it was owned for the period of the lease, and the obligation to pay future rentals is treated as if they were borrowings. Also known as a capital lease.

Financial year
For National Grid this is an accounting year ending on 31 March. Also known as a fiscal year.

FRS
A UK Financial Reporting Standard as issued by the UK Financial Reporting Council (FRC). It applies to the Company's individual financial statements on pages 248 to 254, which are prepared in accordance with FRS 101.

Funds from Operations (FFO)
A measure used by the credit rating agencies of the operating cash flows of the Group after interest and tax but before capital investment.

G

Grain LNG
National Grid Grain LNG Limited, which was classified as held for sale at 30 September 2024.

Great Britain (GB)
England, Wales and Scotland.

Green capital investment (green capex)
Capital expenditure invested in decarbonisation of energy systems and considered to be aligned with the principles of the EU Taxonomy legislation at the date of reporting.

Green
Green refers to any economic activity aligned to the EU Taxonomy Climate Change Delegation Act, which includes climate change adaptation and mitigation requirements. (Full alignment assessment can be found in our EU Taxonomy report in 2023/24).

Grid for Good
Our flagship programme wherein we work with our supply chain partners to provide training and employment opportunities for young people aged 16–25 from disadvantaged backgrounds.

Gridtern
This is the term we use to describe our paid summer interns who work for the Company in the US from May/June through till August each year.

Group Principal Risk (GPR)
A principal risk faced by the Company as monitored and assessed by the Board, details of which are set out on pages 35 to 40.

Group Value Growth
Group Value Growth is Group-wide Value Added expressed as a proportion of Group equity.

Group-wide Value Added
Normalised for assumed long-run inflation expressed as a proportion of Group equity.

GW
Gigawatt, an amount of power equal to 1 billion watts (10^9 watts).

GWh
Gigawatt hours, an amount of energy equivalent to delivering 1 billion watts (10^9 watts) of power for a period of one hour.

H

HMRC
HM Revenue & Customs, the UK tax authority.

HVDC
High-voltage, direct-current electric power transmission that uses direct current for the bulk transmission of electrical power, in contrast to the more common alternating current systems.

I

IAS or IFRS
An International Accounting Standard (IAS) or International Financial Reporting Standard (IFRS), as issued by the International Accounting Standards Board (IASB). IFRS is also used as the term to describe international generally accepted accounting principles as a whole.

Individual financial statements
Financial statements of a company on its own, not including its subsidiaries or joint ventures and associates.

Interest cover
A measure used by the credit rating agencies, calculated as FFO plus adjusted interest, divided by adjusted interest.

J

Joint venture (JV)
A company or other entity that is controlled jointly with other parties.

K

KEDLI
KeySpan Gas East Corporation, also known as KeySpan Energy Delivery Long Island.

KEDNY
The Brooklyn Union Gas Company, also known as KeySpan Energy Delivery New York.

KPI
Key performance indicator.

kW
Kilowatt, an amount of power equal to 1,000 watts.

L

LIPA
The Long Island Power Authority.

LNG
Liquefied natural gas is natural gas that has been condensed into a liquid form, typically at temperatures at or below -161°C (-258°F).

Lost time injury (LTI)
An incident arising out of National Grid's operations that leads to an injury where the employee or contractor normally has time off for the following day or shift following the incident. It relates to one specific (acute) identifiable incident which arises as a result of National Grid's premises, plant or activities, and was reported to the supervisor at the time and was subject to appropriate investigation.

Lost time injury frequency rate (LTIFR)
The number of lost time injuries (LTIs) per 100,000 hours worked in a 12-month period.

M

MADPU
The Massachusetts Department of Public Utilities.

Meaningful skills development
Our measure of meaningful skills development is classed as one interactive upskilling session with a person in the community lasting a minimum of one hour.

MW
Megawatt, an amount of power equal to 1 million watts (10^6 watts).

MWh
Megawatt hours, an amount of energy equivalent to delivering 1 million watts (10^6 watts) of power for a period of one hour.

N

National Energy System Operator (NESO)
The party responsible for the long-term strategy and planning of electricity and gas systems and the real-time operation (balancing supply and demand) of the electricity system in Great Britain. NESO, formerly National Grid Electricity System Operator Limited, was divested by National Grid to the UK Government, effective 1 October 2024.

National Grid Electricity Distribution (NGED/UK ED)
National Grid's UK electricity distribution business, formerly known as WPD, comprising Western Power Distribution Holding Company Limited and its subsidiaries.

National Grid Electricity Transmission (NGET/UK ET)
National Grid's UK electricity transmission business.

National Grid Renewables (NGR)
This business, which was classified as held for sale at 30 September 2024 and for which an agreement for sale to Brookfield Asset Management was reached on 24 February 2024, includes the renewables development company formerly known as Geronimo, is a leading developer of wind and solar generation based in Minneapolis in the US.

National Grid Ventures (NGV)
The Group's division that operates outside its core UK and US Regulated businesses, comprising a broad range of activities in the UK and US, including National Grid Renewables, electricity interconnectors, the Grain LNG terminal and energy metering, as well as being tasked with investment in adjacent businesses and distributed energy opportunities.

Net zero
Net zero means that a person, legal entity (such as a company), country or other body's own emissions of greenhouse gases are either zero or that its remaining greenhouse gas emissions are balanced by schemes to offset, through the removal of an equivalent amount of greenhouse gases from the atmosphere, such as planting trees or using technology like carbon capture and storage.

New England
The term refers to a region within the Northeastern US that includes the states of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. National Grid's New England operations are primarily in the state of Massachusetts.

NGT Sale
The sale, agreed by the Company and announced on 27 March 2022, of the equity in its UK Gas Transmission and legacy metering businesses (now National Gas Transmission plc or NGT) to a consortium comprising, inter alia, Macquarie Asset Management and British Columbia Investment Management Corporation the final stake of which completed in September 2024.

Northeastern US
The Northeastern region of the US, comprising the states of Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont.

NYPSC
The New York Public Service Commission.

O

Ofgem
The UK Office of Gas and Electricity Markets is part of the UK Gas and Electricity Markets Authority (GEMA), which regulates the energy markets in the UK.

OPEB
Other post-employment benefits.

Ordinary shares
Voting shares entitling the holder to part ownership of a company. Also known as common stock. National Grid's ordinary shares have a nominal value of $12^{204}/_{473}$ pence.

P

Paris Agreement
The agreement, also known as the Paris Climate Accord, within the United Nations Framework Convention on Climate Change, dealing with greenhouse gas emissions mitigation, adaptation and finance starting in 2020, and adopted by consensus on 12 December 2015.

Price control
The mechanism by which Ofgem sets restrictions on the amounts of revenue we are

Definitions and glossary of terms continued

allowed to collect from customers in our UK businesses. The allowed revenues are intended to cover efficiently incurred operational expenditure, capital expenditure and financing costs, including a Return on Equity invested.

R

Rate base
The base investment on which the utility is authorised to earn a cash return. It includes the original cost of facilities, minus depreciation, an allowance for working capital and other accounts.

Rate plan
The term given to the mechanism by which a US utility regulator sets terms and conditions for utility service, including, in particular, tariffs and rate schedules. The term can mean a multi-year plan that is approved for a specified period, or an order approving tariffs and rate schedules that remain in effect until changed as a result of future regulatory proceedings. Such proceedings can be commenced through a filing by the utility or on the regulator's own initiative.

Regulated controllable costs
Total operating costs under IFRS less depreciation and certain regulatory costs where, under our regulatory agreements, mechanisms are in place to recover such costs in current or future periods.

Regulatory asset value (RAV)
The value ascribed by Ofgem to the capital employed in the relevant licensed business. It is an estimate of the initial market value of the regulated asset base at privatisation, plus subsequent allowed additions at historical cost, less the deduction of annual regulatory depreciation. Deductions are also made to reflect the value realised from the disposal of certain assets that formed part of the regulatory asset base. It is also indexed to the RPI to allow for the effects of inflation.

Regulatory IOUs
Net under/over-recoveries of revenue from output-related allowance changes, the totex incentive mechanism, legacy price control cost true-up and differences between allowed and collected revenues.

Renewable energy
Renewable energy is usable energy derived from replenishable sources such as the sun (solar energy), wind (wind power), rivers (hydroelectric power), hot springs (geothermal energy), tides (tidal power) and biomass (biofuels).

Retained cash flow (RCF)
A measure of the cash flows of the Group used by the credit rating agencies. It is calculated as funds from operations less dividends paid and costs of repurchasing scrip shares.

Revenue decoupling
The term given to the elimination of the dependency of a utility's revenue on the volume of gas or electricity transported. The purpose of decoupling is to encourage energy-efficiency programmes by eliminating the disincentive a utility otherwise has to such programmes.

Rights Issue
On 23 May 2024, the Company announced a capital raising of c.£7 billion by way of a fully underwritten Rights Issue of 1,085,448,980 new shares at 645 pence per new share on the basis of 7 new shares for every 24 existing shares. The Rights Issue Price of 645 pence represented a 34.7% discount to the theoretical ex-rights price of 988 pence per ordinary share based on the closing middle-market price on 22 May 2024, adjusted for the recommended final dividend for 2023/24 of 39.12 pence per ordinary share. The Rights Issue completed successfully and the new shares commenced trading on the London Stock Exchange plc's main market on 12 June 2024.

RIIO
Revenue = Incentives + Innovation + Outputs, the regulatory framework for energy networks issued by Ofgem.

RIIO-ED1
The eight-year regulatory framework for electricity distribution networks issued by Ofgem which started on 1 April 2015.

RIIO-ED2
The five-year regulatory framework for electricity distribution networks issued by Ofgem which started on 1 April 2023.

RIIO-T1
The eight-year regulatory framework for transmission networks that was implemented in the eight-year price controls started on 1 April 2013.

RIIO-T2
The five-year regulatory framework for transmission networks issued by Ofgem which started on 1 April 2021.

RIIO-T3
The five-year regulatory framework for transmission networks expected to be issued by Ofgem and to start on 1 April 2026

RPI
The UK retail price index as published by the Office for National Statistics.

S

Science-Based Targets (SBTs)
SBTs provide companies with a clearly defined path to reduce greenhouse gas emissions in line with the Paris Agreement goals. More than 4,000 businesses around the world are already working with the Science Based Targets initiative (SBTi).

Science-Based Targets initiative (SBTi) Validation
To achieve SBTi validation, a company's emissions reduction targets must align with the latest climate science, be ambitious in contributing to limiting global warming, and use a robust methodology. The SBTi reviews submissions to assess compliance, and validated targets receive official recognition. This validation showcases the company's commitment to addressing climate change and aligning with global climate goals.

Scope 1 greenhouse gas emissions
Scope 1 emissions are direct greenhouse gas emissions that occur from sources that are owned or controlled by the Company. Examples include emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.

Scope 2 greenhouse gas emissions
Scope 2 emissions are greenhouse gas emissions from the generation of purchased electricity consumed by the Company. Purchased electricity is defined as electricity, heat, steam or cooling that is purchased or otherwise brought into the organisational boundary of the Company. Scope 2 emissions physically occur at the facility where electricity is generated.

Scope 3 greenhouse gas emissions
Scope 3 emissions are indirect greenhouse gas emissions as a consequence of the operations of the Company, but are not owned or controlled by the Company, such as emissions from third-party logistics providers, waste management suppliers, travel suppliers, employee commuting and combustion of sold gas by customers.

SEC
The US Securities and Exchange Commission, the financial regulator for companies with registered securities in the US, including National Grid and certain of its subsidiaries.

SF_6
Sulphur hexafluoride is an inorganic, colourless, odourless and non-flammable greenhouse gas. SF_6 is used in the electricity industry as a gaseous dielectric medium for high-voltage circuit breakers, switchgear and other electrical equipment. The Kyoto Protocol estimated that the global warming potential over 100 years of SF_6 is 23,900 times more potent than that of CO_2.

Share premium
The difference between the amount shares are issued for and the nominal value of those shares.

Strategic Infrastructure (SI)
The Group's business unit, established 1 April 2023, which will deliver UK ET projects through the ASTI framework.

Subsidiary
A company or other entity that is controlled by National Grid plc.

Sustainable Development Goals (SDGs)
The United Nations SDGs are 17 goals, established by the United Nations General Assembly in 2015, that are aimed at improving the planet and the quality of human life around the world by 2030. The goals clearly define the world we want, and they apply to all nations to ensure no one is left behind.

Swaption
A swaption gives the buyer, in exchange for an option premium, the right, but not the obligation, to enter into an interest-rate swap at some specified date in the future. The terms of the swap are specified on the trade date of the swaption.

T

Task Force on Climate-related Financial Disclosures (TCFD)
A body established in 2015 comprising 31 members from across the G20. In 2017 the TCFD released its climate-related disclosure recommendations and in 2022 TCFD disclosures became mandatory for UK premium listed companies. In 2023 the Taskforce disbanded with its monitoring responsibilities taken over by the IFRS Foundation, whose role is to develop recommendations for more informed investment and enable stakeholders to better understand the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risk.

Tax Convention
The income tax convention between the US and the UK.

Taxes borne
Those taxes that represent a cost to the Company and are reflected in our results.

Taxes collected
Those taxes that are generated by our operations but do not affect our results. We generate the commercial activity giving rise to these taxes and then collect and administer them on behalf of tax authorities.

TCFD recommendations or recommended disclosures
The 11 recommended disclosures set out in the June 2017 TCFD report entitled 'Recommendations of the Task Force on Climate-related Financial Disclosures'.

Tonne
A unit of mass equal to 1,000 kilogrammes, equivalent to approximately 2,205 pounds.

Tonnes carbon dioxide equivalent (tCO_2e)
A measure of greenhouse gas emissions in terms of the equivalent amount of carbon dioxide.

Totex
Total expenditure, comprising capital and operating expenditure.

Treasury shares
Shares that have been repurchased but not cancelled. These shares can then be allotted to meet obligations under the Company's employee share schemes.

TWh
Terawatt hours, an amount of energy equivalent to delivering 1 trillion watts ($10^{\wedge 12}$ watts) of power for a period of one hour.

U

UK
The United Kingdom, comprising England, Wales, Scotland and Northern Ireland.

UK Corporate Governance Code (the 'Code')
Guidance, issued by the Financial Reporting Council in 2018, on how companies should be governed, applicable to UK listed companies, including National Grid, in respect of reporting periods starting on or after 1 January 2019.

UK Corporate Governance Code (the '2024 Code')
Guidance, issued by the Financial Reporting Council in 2024, on how companies should be governed, applicable to UK listed companies, including National Grid, in respect of reporting periods starting on or after 1 January 2025.

UK Electricity Distribution (UK ED/NGED)
National Grid's UK electricity distribution business, formerly known as WPD, comprising Western Power Distribution Holding Company Limited and its subsidiaries.

UK Electricity Transmission (UK ET/NGET)
National Grid's UK electricity transmission business.

UK GAAP
Generally accepted accounting practices in the UK. These differ from IFRS and from US GAAP.

Underlying Earnings per Share
Underlying results for the year attributable to equity shareholders of the Company allocated to each ordinary share.

Underlying results
The financial results of the Company, adjusted to exclude the impact of exceptional items and remeasurements that are treated as discrete transactions under IFRS and can accordingly be classified as such, and to take account of volumetric and other revenue timing differences arising due to the in-year difference between allowed and collected revenues, major storm costs (where these are above $100 million threshold in a given year) as well as excluding deferred tax on underlying profits in our UK regulated businesses (NGET and NGED).

US
The United States of America, its territories and possessions; any state of the United States and the District of Columbia.

US GAAP
Generally accepted accounting principles in the US. These differ from IFRS and from UK GAAP.

US state regulators (state utility commissions)
In the US, public utilities' retail transactions are regulated by state utility commissions, including the New York Public Service Commission (NYPSC) and the Massachusetts Department of Public Utilities.

Want more information or help?

Equiniti

For queries about ordinary shares:

0800 169 7775
This is a Freephone number from landlines within the UK; mobile costs may vary. Lines are open 8.30am to 5.30pm, Monday to Friday, excluding public holidays. If calling from outside the UK: +44 (0) 800 169 7775. Calls from outside the UK will be charged at the applicable international rate.

Visit help.shareview.co.uk for information regarding your shareholding (from here you will also be able to email a query securely).

National Grid Share Register
Equiniti Aspect House
Spencer Road, Lancing
West Sussex BN99 6DA

The Bank of New York Mellon

For queries about ADSs:

1-888-269-2377
If calling from outside the US:
+1-201-680-6825

computershare.com/investor
Email:
shrrelations@cpushareownerservices.com

BNY Shareowner Services
P.O. Box 43006
Providence RI 02940-3078

Further information about National Grid, including share price and interactive tools, can be found on our website nationalgrid.com/investors

Beware of share fraud

Investment scams are often sophisticated and difficult to spot. Shareholders are advised to be wary of any unsolicited advice or offers, whether over the telephone, through the post or by email. If you receive any unsolicited communication, please check that the company or person contacting you is properly authorised by the Financial Conduct Authority (FCA) before getting involved. Be ScamSmart and visit fca.org.uk/scamsmart.You can report calls from unauthorised firms to the FCA by calling 0800 111 6768.

Financial calendar

The following dates have been announced or are indicative:

15 May 2025	2024/25 full-year results
29 May 2025	Ex-dividend date for 2024/25 final dividend
30 May 2025	Record date for 2024/25 final dividend
5 June 2025	Scrip reference price announced for 2024/25 final dividend
19 June 2025 (5.00 pm London time)	Scrip election date for 2024/25 final dividend
9 July 2025	2025 AGM
17 July 2025	2024/25 final dividend paid to qualifying shareholders
06 November 2025	2025/26 half-year results
20 November 2025	Ex-dividend date for 2025/26 interim dividend
21 November 2025	Record date for 2025/26 interim dividend
27 November 2025	Scrip reference price announced for 2025/26 interim dividend
11 December 2025 (5.00 pm London time)	Scrip election date for 2025/26 interim dividend
13 January 2026	2025/26 interim dividend paid to qualifying shareholders

Dividends

The Directors are recommending a final dividend of 30.88 pence per ordinary share ($2.0545 per ADS) to be paid on 17 July 2025 to shareholders on the register as at 30 May 2025. Further details on dividend payments can be found on page 92. If you live outside the UK, you may be able to request that your dividend payments are converted into your local currency.

Under the Deposit agreement, a fee of up to $0.05 per ADS can be charged for any cash distribution made to ADS holders, including cash dividends. ADS holders who receive cash in relation to the 2024/25 final dividend will be charged a fee of $0.02 per ADS by the Depositary prior to the distribution of the cash dividend.

Chequeless dividends: Since August 2022, all National Grid dividends will be paid directly into bank or building society accounts for ordinary shareholders. Please make sure you have completed and returned a bank mandate form.

Benefits include the following:

- Your dividend reaches your account on the payment day;
- It is a more efficient and secure way of receiving your payment;
- It helps reduce the volume of paper in dividend mailing.

Scrip dividends: Elect to receive your dividends as additional shares:

Join our scrip dividend scheme; no stamp duty or commission to pay.

Electronic communications

Please register at shareview.co.uk. It only takes a few minutes to register – just have your 11-digit Shareholder Reference Number to hand. You will be sent an Activation Code to complete registration. Once you have registered, you can elect to receive your shareholder communications electronically.

Registered office

National Grid plc was incorporated on 11 July 2000. The Company is registered in England and Wales No. 4031152, with its registered office at 1–3 Strand, London WC2N 5EH.

Share dealing

Postal share dealing: Equiniti offers our European Economic Area resident shareholders a share dealing service by post. This service is available to private shareholders resident within the European Economic Area, the Channel Islands or the Isle of Man. If you hold your shares in CREST, you are not eligible to use this service. For more information and to obtain a form, please visit shareview.co.uk or call Equiniti on 0800 169 7775.

Internet and telephone share dealing: Equiniti also offers telephone and online share dealing at live prices. For full details, together with terms and conditions, please visit shareview.co.uk. You can call Equiniti on 0345 603 7037 for further details, or to arrange a trade. Lines are open Monday to Friday, 8:00am to 4:30pm for dealing, and until 6:00pm for enquiries.

ShareGift: If you only have a small number of shares that would cost more for you to sell than they are worth, you may wish to consider donating them to ShareGift. ShareGift is a registered charity (No. 1052686) which specialises in accepting such shares as donations. For more information, visit sharegift.org or contact Equiniti.

Individual Savings Accounts (ISAs): ISAs for National Grid shares are available from Equiniti. For more information, call Equiniti on 0345 0700 720 or visit eqi.co.uk.

Cautionary statement

This document comprises the Annual Report and Accounts for the year ended 31 March 2025 for National Grid plc and its subsidiaries.

It contains the Directors' Report and Financial Statements, together with the independent auditor's report thereon, as required by the Companies Act 2006. The Directors' Report, comprising pages 1 – 149 and 255 – 303 has been drawn up in accordance with the requirements of English law, and liability in respect thereof is also governed by English law. In particular, the liability of the Directors for these reports is solely to National Grid.

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements within the meaning of section 27A of the Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended. These statements include information with respect to our financial condition, our 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. This document also references climate-related targets and climate-related risks which differ from conventional financial risks in that they are complex, novel and tend to involve projection over long-term scenarios which are subject to significant uncertainty and change.

These forward-looking statements and targets are not guarantees of our future performance and are subject to assumptions, risks and uncertainties that could cause actual future results to differ materially from those expressed in or implied by such forward-looking statements and targets. Many of these assumptions, risks and uncertainties relate to factors that are beyond our ability to control or estimate precisely, such as changes in laws or regulations; and decisions by governmental bodies or regulators, including those relating to current and upcoming price controls in the UK and rate cases in the US; the timing of construction and delivery by third parties of new generation projects requiring connection; breaches of, or changes in, environmental, climate change, and health and safety laws or regulations, including breaches or other incidents arising from the potentially harmful nature of our activities; network failure or interruption, the inability to carry out critical non-network operations, and damage to infrastructure, due to adverse weather conditions, including the impact of major storms as well as the results of climate change, or due to counterparties being unable to deliver physical commodities; reliability of and access to IT systems, including due to the failure of or unauthorised access to or deliberate breaches of our systems and supporting technology; failure to adequately forecast and respond to disruptions in energy supply; performance against regulatory targets and standards and against our peers with the aim of delivering stakeholder expectations regarding costs and efficiency savings, as well as against targets and standards designed to support our role in the energy transition; and customers and counterparties (including financial institutions) failing to perform their obligations to the Company.

Other factors that could cause actual results to differ materially from those described in this document include fluctuations in exchange rates, interest rates and commodity price indices; restrictions and conditions (including filing requirements) in our borrowing and debt arrangements, funding costs and access to financing; regulatory requirements for us to maintain financial resources in certain parts of our business and restrictions on some subsidiaries' transactions, such as paying dividends, lending or levying charges; the delayed timing of recoveries and payments in our regulated businesses and whether aspects of our activities are contestable; the funding requirements and performance of our pension schemes and other post-retirement benefit schemes; the failure to attract, develop and retain employees with the necessary competencies, including leadership and business capabilities, and any significant disputes arising with our employees or breaches of laws or regulations by our employees; the failure to respond to market developments, including competition for onshore transmission; the threats and opportunities presented by emerging technology; the failure by the Company to respond to, or meet its own commitments as a leader in relation to, climate change development activities relating to energy transition, including the integration of distributed energy resources; and the need to grow our business to deliver our strategy, as well as incorrect or unforeseen assumptions or conclusions (including unanticipated costs and liabilities) relating to business development activity, including the proposed sale of certain of our businesses, our Strategic Infrastructure projects and joint ventures.

For further details regarding these and other assumptions, risks and uncertainties that may affect National Grid, please read the Strategic Report and the risk factors on pages 1 – 93 of this document. In addition, new factors emerge from time to time, and we cannot assess the potential impact of any such factor on our activities or the extent to which any factor, or combination of factors, may cause actual future results to differ materially from those contained in any forward-looking statement. Except as may be required by law or regulation, the Company undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this document.

The contents of any website references in this document do not form part of this document.

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