

# ESO Responsible Business Reporting Methodology

## About this document

This document explains the definitions, scope, and calculation methodology for preparing key non-financial performance metrics and disclosures reported within the 2023/24 Responsible Business section (RB) of the 2023/24 ESO Annual Report and Accounts (ARA) available on our website:

- 2023/24 Responsible Business (RB) section – ESO ARA [HERE](#).

## Scope of Reporting

Our RB section covers all parts of our business operations. As our UK business reports in line with a financial year (1 April – 31 March), our metrics have been calculated on this basis, unless stated otherwise.

## Assurance

All metrics reported within the RB tables are subject to our internal quality control review and approval processes. Further to this, we have commissioned PricewaterhouseCoopers LLP (PwC) to provide independent limited assurance over a selection of our environmental sustainability ESO metrics. Their Assurance Opinion for our 2023/24 RB sustainability metrics can be found on our website [HERE](#).

## Reporting Standards

### *Global Reporting Initiative (GRI)*

Our 2023/24 Responsible Business reporting has been prepared in accordance with the Global Reporting Initiative (GRI) Standards. Further details on the requirements and disclosures can be found in the 2023/24 GRI Index [HERE](#).

# ESO

## Environment

### Total electricity consumption

*Metric:*

Total electricity consumption of the ESO is calculated.

*Definitions:*

Electricity consumed is the amount of electricity used by the ESO. It is collated in gigawatt hours (GWh).

*Scope:*

Includes purchased electricity used on our sites.

UK electricity consumed is reported on a combined energy basis in line with the financial year (1<sup>st</sup> April to 31<sup>st</sup> March).

*Calculation methodology:*

Total electricity consumption is summed across all ESO sites, this includes any site based self-generated renewable energy.

### Total heating consumption

*Metric:*

Total heating consumption of the ESO is calculated.

*Definitions:*

Heating consumption includes purchased heat (natural gas) used on our sites. It is collated in gigawatt hours (GWh).

*Scope:*

ESO data is collated in line with the financial year (1<sup>st</sup> April to 31<sup>st</sup> March). It is reported on a combined energy basis.

*Calculation methodology:*

Total heating consumption is summed across all ESO sites.

### Total energy consumption

*Metric:*

Total energy consumption is reported, and our data includes measurements by renewable and non-renewable energy consumed as well as by electricity and heating.

*Definitions:*

Energy consumed is the amount of electricity, natural gas and other fuels used by the ESO in support of its own requirements. It is reported in gigawatt hours (GWh).

*Scope:*

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As well as reporting total energy consumption as a consolidated figure, the following breakdown is also calculated internally:

- Renewable fuel consumed
- Non-renewable fuel consumed
- Electricity consumed
- Heating consumed

Table 1 below presents the scope of each energy consumption category.

Energy consumption	Scope
Renewable energy	Includes purchased renewable electricity and self-generated renewable electricity used at our facilities.
Non-renewable energy	Includes purchased non-renewable electricity from sources such as nuclear, gas, biomass, and coal.
Electricity	Includes purchased electricity used on our sites.
Heating	Includes energy consumed from all fuels used for heat on our sites.
Total energy consumed	Includes all the above elements.

UK energy use is reported in line with the financial year (1<sup>st</sup> April to 31<sup>st</sup> March). This aligns energy consumed reporting with emissions reporting in other metrics.

### Calculation methodology:

To calculate total energy consumption, each of the energy consumption categories are calculated by summing all data sources described in table 1 above. Some unit conversions are required (for example, litres of diesel to GWh), these are carried out using industry standard conversion factors as provided by BEIS / DEFRA, the 2022 UK Government GHG Conversion Factors for company reporting and ISO14064-3.

## Office energy consumption

### Metric:

Total energy consumed at our UK core offices is collated internally.

### Definitions:

Core Offices those being managed by the Workplace Experience and Property Services teams in the UK by the National Grid for the ESO. In these offices the ESO are liable for energy costs.

Energy refers to all imported electricity or heat and all solid, liquid and gaseous fuels consumed across the core offices.

It is collated in gigawatt hours (GWh).

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## Scope:

UK data is collected in line with the financial year, 1 April to 31 March.

## Calculation methodology:

The data for the UK is consolidated from meter readings and invoices where possible. The total energy consumption for the entire ESO's core offices is aggregated at the year-end for the purpose of reporting and analysing opportunities to reduce future emissions.

## Scope 1 and Scope 2 greenhouse gas emissions

The reporting of ESO total carbon emissions in our ARA is a legal requirement under The Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 as we are a large company with greater than 250 employees, turnover in excess of £36 million and a Balance sheet in excess of £18 million.

Our GHG emissions are calculated and reported in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (Revised) as set out below.

## Metric:

We report our Scope 1 and Scope 2 emissions (in tCO<sub>2</sub>e) separately. The data we report is:

- Scope 1 emissions (tCO<sub>2</sub>e)
- Scope 2 emissions (tCO<sub>2</sub>e)

## Definitions:

Scope 1 emissions are direct emissions from the operational activities of the ESO.

Scope 2 emissions are indirect emissions from the energy purchased and consumed by the ESO. Scope 2 emissions are reported on a location basis.

The sources of conversion factors are set out in Table 2 below.

Table 2: Calculation methodology for Scope 1 and 2 emissions

Emissions scope	Emissions sources	Calculation methodology
Scope 1	Fleet vehicles use	Fuel purchased is recorded by volume. Emissions calculated via: Litres of fuel x carbon conversion factor. BEIS conversion factors applied for petrol and diesel.
	Company car emissions, vehicle used for business travel	Miles travelled are captured through our expenses recording systems. Emissions calculated via: Miles travelled x carbon conversion factor. BEIS conversion factors are applied by fuel type.
	Energy consumption at our facilities	We employ the energy management organisation (SMS plc) to manage our utilities and provide gas consumption reports. Gas consumption measured by volume. Volume of gas x BEIS natural gas conversion factor.

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Scope 2	Electricity consumption at our facilities	We employ the energy management organisation (SMS plc) to manage our utilities and provide electricity consumption reports. Purchased electricity consumption multiplied by BEIS electricity factors.
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## Scope:

The operational control principle as set out by the GHG Protocol is applied across all our emissions and environment metrics. All operations where ESO has 100% of operational control and the full authority to introduce and implement its operating policies, are included within the reported metrics.

ESO Scope 1 and 2 emissions include an allocation of National Grid's group Scope 1 and 2 emissions (activity carried out by National Grid Finance, HR, IT, Property and the Executive Office). This proportion is calculated annually by National Grid UK Finance and reflects the current structure of the Group, the total procurement and total indirect costs during the year (including travel) from Corporate Functions and Support Functions. For the year 2023/24 this led to an allocation factor of 21.8%. The allocation factor drives the resulting proportion of central Purchased Goods and Services emissions that the ESO is responsible for in the given year.

Table 3 below presents the scope in terms of emissions sources included for Scope 1 and 2 emissions reporting.

*Table 3: Scope of The ESO's Scope 1 and 2 emissions sources and business included*

Emissions scope	Scope – emissions sources for inventory	Scope by region
	Company car emissions where vehicle is used for business travel	UK
	Gas consumption at our facilities	UK
Scope 2	Purchased Electricity consumption at our facilities	UK

Emissions are reported in line with the financial year (1<sup>st</sup> April to 31<sup>st</sup> March). This reflects the regulatory reporting requirements and processes for the UK.

## Calculation methodology:

Annual Scope 1 and 2 emissions data is added together from our ESO business locations to get the business level total (in tonnes of CO<sub>2</sub>e).

## Scope 3 greenhouse gas emissions

Our Scope 3 emissions are calculated and reported in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (Revised) 16, the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard and the Technical Guidance for Calculating

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Scope 3 Emissions: Supplement to the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

**Metric:**

The scope 3 emissions categories we collate are:

- **Cat. 1 (Purchased Goods and Services) emissions (tCO<sub>2</sub>e)**
- **Cat. 5 (Waste Generated in Operations) emissions (tCO<sub>2</sub>e)**
- **Cat. 6 (Business Travel) emissions (tCO<sub>2</sub>e)**
- **Cat. 7 (Employee Commuting) emissions (tCO<sub>2</sub>e) – estimated based on a survey**

The scope 3 emissions categories we report are:

- **ESO total scope 3 emissions (tCO<sub>2</sub>e)**

**Definitions:**

Scope 3 emissions are defined as those which are not directly from our operations or activities but occur within our value chain which we can have influence over. We include Scope 3 emissions across four categories as defined by the GHG Protocol (see Table 4 below).

**Scope:**

The ESO applies both the operational control principle to determine operations that are in scope for emissions and environmental reporting, as well as a proportional principle regarding indirect emissions in scope with National Grid Support Functions and Corporate Functions. Table 4 below presents the scope in terms of emissions sources included within each Scope 3 category.

*Table 4: Scope of The ESO’s Scope 3 emission sources by category and business included*

Scope 3 emission category	Scope – emissions sources
Cat. 1 (Purchased Goods and Services)	Includes all products and services purchased by The ESO Procurement for the ESO, from stationary to property maintenance products.
Cat. 5 (Waste Generated in Operations)	Includes all waste generated from our operations including office waste and operational waste.
Cat. 6 (Business Travel)	Includes employee business travel, not in ESO owned vehicles (air travel, hire cars, personal cars, taxis and rail travel). Business travel not recorded in our systems (eg. not expensed) is not included, however policies are in place to minimise this.

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Cat. 7 (Employee Commuting)	Includes emissions based on commuting distances of our employees to their offices and includes travel types such as bus, car and train.
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Scope 3 emissions from Cat. 1 made up >99% of our total scope 3 emissions in 2023/24.

### Calculation methodology:

Annual Scope 3 emissions data across all categories reported, is summed to get the ESO total (in tonnes of CO<sub>2</sub>e). See Table 5 below for detail on how emissions in each category are calculated.

Table 5: Calculation methodology for Scope 3 emissions by category

Scope 3 emission category	Calculation methodology
Cat. 1 (Purchased goods and services)	<p>We apply the spend-based method for estimating CO<sub>2</sub>e for all products and services purchased by the National Grid procurement department for the ESO, based on Environmentally-Extended Input-Output (EEIO) emission factors. The formula applied is: Spend (£) X Supply chain emission factor for product category.</p> <p>We have improved our methodology for calculating the emissions from purchased goods and services. Working with a third-party consultant, we have identified some improvements to the way we calculate emissions from the goods and services we procure – our supply chain emissions. These emissions are calculated by applying category-specific emissions factors (e.g. IT equipment) to the amount of expenditure we have incurred in each of these categories. We have better aligned our expenditure with these emissions categories, resulting in reported emissions that are more reflective of our actual emissions. For the year 2023/24 this led to an allocation factor of 27.2%. The allocation factor drives the resulting proportion of central Purchased Goods and Services emissions that the ESO is responsible for in the given year – this is added onto ESO purchases and drives a significant element of ESO scope 3 emissions annually.</p>

Cat. 5 (Waste generated in operations)	Calculated from quantity of waste types generated, data from our waste collection service providers on the disposal method and BEIS conversion factors. The formula applied is: Waste disposed of (quantity) X Emission factor (kgCO <sub>2</sub> e/quantity).
Cat. 6 (Business travel)	Calculated by: Distance travelled on business (miles) X Emission factor. Carbon emissions factors used are UK industry standard factors from BEIS industry standard factors for UK air

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	<p>travel and are specific for each type of transport.</p> <p>Includes employee business travel, not in ESO owned vehicles (air travel, hire cars, personal cars, taxis and rail travel). Business travel not recorded in our systems (eg. not expensed) is not included, however policies are in place to minimise this.</p> <p>For the ESO an allocation factor is then applied to data where purchases relate not directly to ESO activity, but indirectly (to activity carried out by National Grid Finance, HR, IT, Property and the Executive Office). This proportion is calculated annually by National Grid UK Finance and reflects the current structure of the Group, the total procurement and total indirect costs during the year (including travel) from Corporate Functions and Support Functions. For the year 2023/24 this led to an allocation factor of 21.8%. The allocation factor drives the resulting proportion of central Business travel emissions that the ESO is responsible for in the given year – this drives a significant element of ESO scope 3 emissions annually.</p>
<p>Cat. 7 (Employee commuting)</p>	<p>Estimated from ESO employee commuting survey data which is extrapolated to represent the entire ESO business using the Global FTE employee count at financial year end (31<sup>st</sup> March). Emissions are calculated by: Distance travelled to work (miles) X Emission factor (dependent upon travel method). Emission factors are from BEIS, specific for each type of transport.</p>

Total Scope 3 emissions are a sum of Cat. 1, 5, 6, and 7

## GHG emissions and total air miles from air travel

*Metric:*

Total air miles travelled on an annual basis by ESO employees and the associated CO2e emissions.

*Definitions:*

Air miles refer to the distance travelled via aeroplane by ESO employees for business activities only.

*Scope:*

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Includes air miles travelled by the ESO workforce across all parts of the business. In scope are air miles from all third-party airlines.

The air miles travelled on third party planes are captured through our UK third party travel providers (Agiito). It is ESO policy that all employees must book business trips (long haul and short haul) through our approved travel providers only.

Air miles associated with trips booked through and not cancelled through our travel providers are counted in this metric, as of the start date of the trip. This is regardless of invoice date and whether a later return flight has been booked. For example, if the return flight was outside of the current financial year, it would still be included as part of the whole trip provided the trip start date was inside of the current financial year.

All emissions and miles travelled on third party planes are reported in line with the financial year (1<sup>st</sup> April to 31<sup>st</sup> March).

Air miles travelled by contractors, agency staff and consultants are not included.

### *Calculation methodology:*

Air miles recorded by UK NG wide employees is provided by Agiito and includes NG Company Code, Company name (ref 4), name of traveller, name of person who booked the trip, traveller email address, invoice date, invoice number, flight reference details, ticket number, airline, travel from city, destination, cabin class, mileage, Kilometres and Kg/CO<sub>2</sub>.

Although one metric is measured in air miles, not the associated carbon emissions specifically, we do also convert and report our air miles data in TCO<sub>2</sub>e within Scope 3 emissions reporting.

To complete this calculation for CO<sub>2</sub>e, the BEIS (UK industry standard factors) are applied as per Table 5. The factors change depending on the length of the flights taken (domestic, short, medium and long haul), as well as the type of seat booked (economy, business and 1st class).

The data from Agiito has hidden columns in the data sheet so all of the columns need to be unhidden first to reveal company name. The data is filtered against company name “**NG Elec System Op Ltd**”. Any blank records for company name are also checked to see if they have an ESO email address in column “Traveller email address” as ESO employees have a unique ‘ESO’ extension (i.e. [firstname.surname@nationalgrideso.com](mailto:firstname.surname@nationalgrideso.com)) rather than “@nationalgrid.com”. The data is then examined for any blanks to identify if anyone works in ESO. As an additional control we can also check the names on our internal email system.

Any flights not cancelled through Agiito will need to be included in the air miles as we have purchased the air miles for the relevant seats even though the traveller would not be on that flight. This may show as duplicated flights in the data on the same date or close to the same date even if the trips are with different airlines.

We provide this information to PwC along with the 12 monthly payroll files for all of NG with the filters applied to get the ESO employees numbers for this calculation. PwC provide a sample for testing and we obtain the receipts from the individuals on the sample or request this information from Agiito.

There is an element of included air miles in the data that are associated with cancelled flights resulting from the FlyBe administration, which falls outside the remit of how Agiito captures bookings and cancellations. We have quantified the balance of air miles associated with this element of the data and have determined the impact is highly immaterial.

## Electric management vehicle fleet

### *Metric:*

% of the ESO's light-duty management vehicle fleet that are electric vehicles ("EVs").

### *Definitions:*

Light-duty vehicles are those with a gross weight of less than 3.5 metric tons (7,716lbs) if located in the UK. Electric Vehicles are powered 100% by electricity and produce zero-carbon emissions.

### *Scope:*

All vehicles owned or leased by the ESO are included in this metric.

ESO management's company cars are included for this metric.

The electric vehicle % of our management vehicle fleet is reported as at the financial year end date, 31<sup>st</sup> March.

### *Calculation methodology:*

The total light-duty ESO management fleet size and the number that are EVs is continuously tracked in our fleet management systems.

To calculate the percentage of the fleet that are EVs, the total fleet size and the total number of EVs in the UK are aggregated. The percentage that are EVs is then calculated as:  $(\text{total number of EVs} / \text{Total number of vehicles}) \times 100$

## Total office waste

### *Metric:*

Office waste generated and disposed of from all core UK offices. It is collated in tonnes.

### *Definitions:*

Core offices are the primary locations where our employees are based. This does not include other National Grid locations where the ESO do not significantly contribute to waste as none of our employees are based there.

Waste is any substance or object which the holder discards or intends or is required to discard.

### *Scope:*

Only waste generated and disposed of from core offices are included in this metric.

Core offices occupied by our UK personnel are included.

Data is continuously monitored via internal waste reporting systems or through regular reporting by service providers where the ESO employ the services of third parties to manage office waste disposal.

Data from UK based offices are reported in line with the financial year, 1<sup>st</sup> April to 31<sup>st</sup> March.

### *Calculation methodology:*

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All waste for the respective reporting period is combined to calculate the total office waste for ESO.

## % office waste diverted from landfill

### Metric:

% of office waste that is not sent to landfill.

### Definitions:

Office waste is as defined and reported above.

### Scope:

Only waste generated and disposed of from core offices are included in this metric.

Core offices occupied by our UK personnel are included.

Data is monitored via internal waste reporting systems or through regular reporting by service providers where the ESO employ the services of third parties to manage office waste disposal.

Data from UK based offices are reported in line with the financial year, 1<sup>st</sup> April to 31<sup>st</sup> March.

### Calculation methodology:

Total ESO data is aggregated by disposal process to identify the total volume of waste that is not sent to landfill upon disposal.

The % of office waste not sent to landfill is calculated as:  $(\text{Total ESO office waste not sent to landfill} / \text{Total ESO office waste}) \times 100$ .

## Communities

### Number of young people provided access to skills development

### Metric:

Total people provided access to skills development since 1 April 2021.

### Definitions:

Skills development: Programmes operated or supported by the ESO intended to upskill participants. The programmes are not restricted to STEM skills; however, "STEM" (Science, Technology, Engineering, and Mathematics) skills are expected to make up the majority of our programmes.

Participant: a participant comes from one of the lower income or diverse communities we serve. We use the latest information held by the Office Of National Statistics to determine this using the web link below:

<https://www.ons.gov.uk/visualisations/dvc1370/#:~:text=The%20lowest%20income%20areas%20were,closer%20to%20the%20national%20average.>

### Scope:

This metric includes all participants who have accessed our skills development programmes. Data is based on records from internal reporting systems or as reported by our charity partners as relevant.

# ESO

This metric is reported in line with the financial year, 1<sup>st</sup> April to 31<sup>st</sup> March, and cumulatively by summing all data from 1 April 2021 to the relevant year end date.

## *Calculation methodology:*

Participants on our skills development programmes are initially recorded within the respective systems of our skills development programmes.

The total annual participants on our skills development programmes are added to the total participants previously reported since 1 October 2020 to calculate the cumulative participants on our skills development programmes.

## Number of qualifying volunteering hours

### *Metric:*

Total volunteering hours completed on behalf of the ESO since 1 April 2022.

### *Definitions:*

Volunteering hours: Any time spent volunteering on behalf of the ESO (including any preparation work required).

### *Scope:*

This metric includes all ESO employees, and those working on behalf of the ESO.

Data is based on hours recorded via internal reporting systems or as reported by our charity partners as relevant.

This metric is reported in line with the financial year, 1 April to 31 March.

### *Calculation methodology:*

Volunteering hours are initially recorded by those overseeing the activities. On an annual basis, the data is collated to sum the total annual volunteering hours. The total annual volunteering hours are added to the total hours reported for each financial year since 1 April 2021 to calculate the cumulative qualifying volunteering hours.

## Contribution of the ESO's costs to UK consumer bills

### *Metric:*

The ESO element of the average domestic UK consumer bill.

### *Definitions:*

UK average domestic bill is the average electric bill for non-business customers in the UK. The ESO element is the portion of the average UK domestic bill associated with the electricity system operator costs for the electricity attributable to the ESO.

### *Scope:*

# ESO

This metric includes bill impact data for UK ESO internal Electricity System Operator (ESO) costs. It does not include the impact of external ESO costs as these costs are a pass-through cost managed on behalf of the industry, rather than being an internal ESO cost.

In the UK the ESO do not directly charge consumers, therefore the metric approximates the network charges proportion of the Energy Supplier bills. It excludes that proportion of our revenues that are charged to other parties eg. costs levied on companies entering energy onto the network. These costs are excluded because there is no clear approach identified to estimate how much of those costs contribute to household bills.

This metric is reported in line with the financial year, 1<sup>st</sup> April to 31<sup>st</sup> March.

## *Calculation methodology:*

The costs are identified from the charges set by the ESO to Energy Suppliers.

The NGESO Internal Revenue is identified from the Price Control Financial Model, as published by Ofgem. This is adjusted by 50% to reflect the costs recovered from Energy Suppliers for Balancing Services Use of System (“BSUoS”) charges as per the methodology prescribed by the Connection and Use of System Code (“CUSC”) and divided by the total annual demand, as published by the ESO, to estimate an average tariff charged by the ESO. That charge to customer is scaled up by the average loss adjustment factor as published by Ofgem to account for losses and then multiplied by the average domestic demand, also published by Ofgem, to determine an average cost to UK households.

The average costs of the ESO are then combined to calculate the ESO element of the average UK domestic customer bill.

## Service Quality – Number of Voltage and Frequency excursions from C17 statutory limits

### *Metric:*

Total number of incidents of frequency and voltage outside the approved C17 statutory range in the UK for the Great Britain transmission network:

- 49.5 hertz to 50.5 hertz for over 60 seconds
- statutory voltage excursions outside of nominal voltage range across the National Electricity Transmission System (NETS)

### *Definitions:*

Service quality incidents are defined as events in which frequency or voltage excursions occur outside of C17 statutory limits:

- 49.5 hertz to 50.5 hertz for over 60 seconds
- statutory voltage requirements including NETS nominal voltage 400kV 0.95 - 1.05pu. (limits 380kV - 420kV), nominal voltage 275kV 0.95 - 1.09pu. (limits 261.25kV - 299.75kV), and Scotland nominal voltage 132kV 0.95 - 1.10pu. (limits 125.4kV - 145.2kV) for longer than 15 minutes

Time period - total calendar year service quality incidents in the reporting year, from 1<sup>st</sup> April to 31<sup>st</sup> March.

### *Scope:*

# ESO

Metrics are based on performance data recorded by the Great Britain transmission network operating systems.

In the ESO in the UK, the metric is reported in line with the financial year, 1<sup>st</sup> April to 31<sup>st</sup> March.

## *Calculation methodology:*

For the system corresponding to this respective definition, actual frequency and voltage across the transmission network for the last 12 months is identified. The calculation for the year is then:

Number of excursions outside of C17 statutory limits in frequency or voltage throughout the agreed period.

## Lost time injury frequency rate (LTIFR)

### *Metric:*

Total number of lost time incidents incurred as a portion of total hours worked by the workforce, multiplied by 100,000.

### *Definitions:*

Lost time incidents are defined as events which cause injury and a loss of time beyond the shift during which the incident occurred, consistent with the UK HSE definition.

### *Scope:*

Employees, contractors, and agency staff are in scope.

ESO and relevant Corporate Functions operations are covered by this metric.

Lost time injury figures are recorded, tracked, and frequently reported via the Group's incident management systems.

This metric is reported in line with the financial year, 1<sup>st</sup> April to 31<sup>st</sup> March, and cumulatively by summing all data within the period.

### *Calculation methodology:*

Total number of lost time incidents throughout the reporting period are calculated on a 12 month rolling programme [LTIFR = (12 mo. Rolling LTI / 12 month rolling hours worked) × 100,000] and divided by total hours worked by the workforce and multiplied by 100,000.

## People

### Diversity of the senior leadership, workforce, and hires in new talent programmes

#### *Metric:*

Percentage of diverse employees within our total workforce, senior leadership group and 'new talent hires'. The data we collect is:

- Percentage of diverse employees in our total workforce

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- Percentage of diverse employees in our senior leadership group
- Percentage of diverse employees in our new talent hires

## Definitions:

Diverse employees are defined as females or those that identify themselves as being of a certain sexual orientation, having a disability or being part of an ethnic minority group. If an employee has identified themselves as female and as part of another diverse group, they will only be counted once in the calculation.

All our gender data relies on our employees' classification of their own gender as male or female. This is a mandatory, binary field in our HR system and therefore the ESO has a gender disclosure rate of 100%. All other diversity data relies on employee self-disclosure within our HR system. As at the time of preparing this document, around 93-94% of employees have declared ethnicity which poses a very good representation of the company.

Table 6 below shows the groups that are defined as 'diverse' and 'non-diverse' in our business.

*Table 6: The ESO diverse and non-diverse employees in the UK for our diversity of the workforce, senior leadership and new talent data*

Gender	
Male	non-diverse
Female	diverse
Sexual Orientation	
Heterosexual	non-diverse
Gay	diverse
Bisexual	diverse
Lesbian	diverse
I prefer to use my own term	n/a
Disability	
Dyslexia	diverse
Hearing	diverse
Long-term health condition	diverse
Mental health	diverse
Mobility	diverse
Visual	diverse
Musculoskeletal	diverse
Other 'neurodiverse'	diverse
Speech	diverse

Other	diverse
More than one	diverse
No disability	non-diverse
Ethnicity	
Any other	diverse
Asian - Bangladeshi	diverse
Asian – Indian	diverse
Asian – Pakistani	diverse
Asian - any other background	diverse
Black – African	diverse
Black – Caribbean	diverse
Black - any other background	diverse
Chinese	diverse
Gypsy or Irish Traveller	diverse
Mixed - White and Black African	diverse
Mixed - White and Black Caribbean	diverse
Mixed - White and Asian	diverse
Mixed - any other mixed background	diverse
White - any other white background	non-diverse
White British/English/Scottish/Welsh/ Northern Irish	non-diverse
White Irish	non-diverse

Total workforce refers to all permanent ESO employees, regardless of paygrade and how long they have worked at the ESO. Included are those on parental leave or on short/long term leave of absence, part time workers, graduates and interns. Excluded are temporary employees, contingent workers, managed service providers and non-executive Board members.

Senior leadership group refers to the number of employees outlined above who have been identified as our key senior leaders following our Operating Model re-design in April 2019. The senior leadership group are defined in our Human Resources (HR) system MyHub as senior leaders and this is flagged in the system. These represent the senior / top levels of management, Directors and Executives.

For transparency, we have provided the FY2023/24 definition of the Senior Leadership Group below:

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- Senior leadership group FY2023/24: Employees included in our total workforce (defined above) who are in the following paygrades: EXEC, A+, A, B and B+. These paygrades represent the senior and top levels of management including Directors and Executives.

New talent hires refer to employees included in our total workforce (defined above) that have been onboarded to the ESO as part of a graduate schemes or training program. These are distinguished by our 'Grad' and 'Trainee' paygrades.

## *Scope:*

Includes the total ESO workforce across all parts of the business.

Diverse employees are all those that have self-declared their diversity status. Individuals who have chosen not to declare their diversity status have been treated as non-diverse for the calculations.

Diversity metrics are measured on a rolling 12-month period. To report on our total workforce and senior leadership group metrics in the Responsible Business Report, the number of employees at year end will be used (31<sup>st</sup> March).

## *Calculation methodology:*

Data is extracted from the HR management system and the following calculations are performed on the dataset to calculate this metric:

- Percentage of diversity in workforce = (diverse individuals in workforce) / (employees in workforce)
- Percentage of diversity in senior leadership = (diverse individuals in senior leadership) / (employees in senior leadership)
- Percentage of diversity in new talent hires = (diverse individuals in new talent hires in rolling 12 month period) / (new talent hires in rolling 12 month period)

## Gender and ethnicity % of joiners, promotions and leavers

### *Metric:*

Percentage of female and ethnic minority employees within external hires, promotions and leavers. The data we collect is:

- Percentage of female external hires
- Percentage of ethnic minority external hires
- Percentage of female promotions
- Percentage of ethnic minority promotions
- Percentage of female leavers
- Percentage of ethnic minority leavers

### *Definitions:*

Female employees are those that have self-disclosed themselves as being so upon joining the company. All our gender data relies on our employees' classification of their own gender as male or female. This is a mandatory, binary field in our HR system and therefore the ESO has a gender disclosure rate of 100%.

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Ethnic minority employees are those that have identified themselves as being part of an ethnic minority group via voluntary self-disclosure within our HR system. As at the time of preparing this document, around 93-94% of employees have declared ethnicity so we would posit that this poses a very good representation of the company.

The groups presented in Table 6 above are defined as 'diverse' and 'non-diverse'.

External hires are employees that have been recruited to the ESO from outside of the organisation. Those included have completed the ESO's on-boarding process and have been issued with an ESO employee ID card. Not included are those who have been recruited to a role from inside the company (eg. internal transfers), or new hires that have not completed the on-boarding process.

Promotions represent all internal employees who have been awarded a promotion (with or without pay change). Not included are movements not related to promotion including lateral moves, re-organisations and secondments.

Leavers refer to employees whose contract of employment at the ESO has been terminated for any reason (including resignation, retirement and non-voluntary reasons).

## Scope:

Includes the total ESO workforce across all parts of the business. In scope, are active permanent employees, including those on short/long term leave of absence, full-time and all union, schemes, graduates and interns. Out of scope are temporary employees, contingent workers, managed service providers and non-executive Board members.

Note: some employees may be counted under two or more parts of this metric (eg. external hires and promotions if the employee joined the ESO and was awarded a promotion in the same year).

Diverse employees are all those that have self-declared their diversity status. Individuals who have chosen not to declare their diversity status have been excluded from the calculations.

Diversity metrics are measured on a rolling 12-month period and will be reported in the ARA to represent the previous financial year (1<sup>st</sup> April – 31<sup>st</sup> March).

## Calculation methodology:

Data is extracted from the HR management system and the following calculations are performed on the dataset to calculate our information:

- Percentage of female external hires = (female hires in time period) / (total hires in time period)
- Percentage of ethnic minority external hires = (minority hires in time period) / (total hires in time period who have declared minority status)
- Percentage of female promotions = (female promotions in time period) / (total promotions in time period)
- Percentage of ethnic minority promotions = (minority promotions in time period) / (total promotions in time period who have declared minority status)
- Percentage of female leavers = (female leavers in time period) / (total leavers in time period)
- Percentage of ethnic minority leavers = (minority leavers in time period) / (total leavers in time period who have declared minority status)

# ESO

## % of managers completed mental health support training

### *Metric:*

% of total management population (Grades A-D) with direct reports who have taken part in our mental health support training. Grades A-D without direct reports such as specialist roles are excluded.

### *Definitions:*

Mental health support training is delivered via an online module and an interactive training course intended to build awareness of the importance of wellbeing and good mental health including spotting individual signs of not coping, understanding others and how to provide support and signposting to colleagues in line with our mental wellbeing standard.

### *Scope:*

All management employees who are permanently employed as at the reporting date are included in the metric.

The status of managers who have completed the training is continuously monitored through our HR management system.

The % of management employees who have completed mental health support training in the past two years is reported as at the relevant financial year end date, 31<sup>st</sup> March.

### *Calculation methodology:*

As at the year end, a report is run from our HR management system that shows our total number of active managers and the total number of active managers to have completed the mental health support training course within two years of the reporting date.

The % of colleagues to have completed the mental health support training is calculated as: (total number of active managers to have complete the training in the two years since the reporting data / total number of active managers) × 100.

## Living wage paid

### *Metric:*

Compliance with the real Living Wage.

### *Definitions:*

The real Living Wage is a wage rate that is voluntarily paid based upon the wage rate set by the Living Wage Foundation (“the Foundation”). It is designed to be at a level that is required for employees and their families to meet their everyday needs. The real Living Wage is independently calculated and is greater than the National Living Wage that is required to be paid by UK legislation.

### *Scope:*

All UK based ESO employees are included in the metric, including graduates, trainees and apprentices. Contractors, agency staff and consultants are excluded from this metric.

The real Living Wage communicated by the Foundation around October or November of the relevant financial year is used for the metric reported at the end of the respective financial year. UK real Living Wage is reported as at the year-end date, 31<sup>st</sup> March.

# ESO

## *Calculation methodology:*

On receiving the new rate, the hourly pay on employees is reviewed to determine if any current hourly rates fall below the new rate as set by the Foundation and any uplifts are applied before the year end. As at 31<sup>st</sup> March, we review our payroll records to identify any employees receiving a wage lower than the rate set by the Foundation and report any exceptions.

## Employee engagement score (from Grid:Voice)

### *Metric:*

Engagement index score, as measured by the annual Employee Engagement Survey, “Grid:Voice”.

### *Definitions:*

Engagement index is a measure of how engaged our employees feel, based on the percentage of favourable responses to five questions repeated annually in our Employee Engagement Survey.

Likert scale is a psychometric scale commonly involved in research that employs questionnaires. The Likert Scale is a five (or seven) point scale which is used to allow the individual to express how much they agree or disagree with a particular statement.

### *Scope:*

All employees who are permanently employed as at 1<sup>st</sup> December of the relevant financial year are provided the survey. Employee engagement score is reported as the outcome of the survey completed in the relevant financial year, 1<sup>st</sup> April to 31<sup>st</sup> March.

## *Calculation methodology:*

Respondents answer the questions on the Likert scale of Strongly agree to Strongly disagree. Favourable responses are Agree and Strongly Agree except one question, ‘intent to stay at the ESO’, where the favourable response is 5 years + or until retirement.

The engagement score is calculated as the % of favourable responses to the questions identified. The score is calculated as:  $(\text{total favourable responses} / \text{total responses}) \times 100$ .

## Employee enablement score (from Grid:Voice)

### *Metric:*

Enablement index score, as measured by the annual Employee Engagement Survey, “Grid:Voice”.

### *Definitions:*

Enablement index is a measure of how enabled our employees feel, based on the percentage of favourable responses to five questions repeated annually in our Employee Engagement Survey.

Likert scale is a psychometric scale commonly involved in research that employs questionnaires. The Likert Scale is a five (or seven) point scale which is used to allow the individual to express how much they agree or disagree with a particular statement.

### *Scope:*

# ESO

All employees who are permanently employed as at 1<sup>st</sup> December of the relevant financial year are provided the survey. Employee enablement score is reported as an outcome of the survey completed in the relevant financial year, 1<sup>st</sup> April to 31<sup>st</sup> March.

## *Calculation methodology:*

Respondents answer the questions on the Likert scale of Strongly agree to Strongly disagree. Favourable responses are Agree and Strongly Agree.

The enablement score is calculated as the % of favourable responses to the questions identified. The score is calculated as: (total favourable responses / total responses) × 100.

## ESO Gender pay gap

We prepare and report our ESO gender pay gap disclosures in line with the approach defined by the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 and The Advisory, Conciliation and Arbitration Service (ACAS) Managing Gender Pay Reporting Guide 2017 ('Acas guidance').

We publish the ESO gender pay gap as part of the ESO Annual Report and Accounts, National Grid Responsible Business Report and as a standalone Report on the National Grid website. The Gender Pay Gap Reporting Methodology document can also be accessed online as a standalone document.

## *Metric:*

Our ESO gender pay gap reporting covers our total ESO business, representing our entire ESO workforce. The metrics disclosed are listed below, each metric is reported once to represent the total ESO workforce.

- Mean 'base' gender pay gap (%)
- Mean 'incentive' gender bonus gap (%)

For the gender pay gap, we do not report publicly on the percentage of relevant employees receiving a bonus payment, or the proportion of employees in each pay quartile of the organisation in the ARA.

## *Definitions:*

The gender pay gap is an equality measure that shows the difference in average earnings between genders (or male and female) employees. It is different from equal pay. The definitions for the key terms included as part of our gender pay gap calculations are:

- Diverse employees are those that identify themselves as being part of the female gender group, which is self-declared by employees within our HR system. As at the time of preparing this document, approximately 99% of the ESO employees have declared their gender. Employees that have not declared their gender are excluded from the calculation.
- Part-time employees and those on long term leave are included by using their full time equivalent values (FTE).
- Contractors, agency staff and consultants are excluded from this calculation.

The groups presented in Table 6 above are defined as 'diverse' and 'non-diverse' in terms of gender, within our UK business.

# ESO

## Scope:

In terms of the period in scope, our gender pay gap disclosures are prepared on an annual basis using the snapshot date 5<sup>th</sup> April each year for base / ordinary pay, and for the twelve months period including that pay period and the eleven pay periods prior to that date for bonus pay.

## Calculation methodology:

ESO gender pay gap metrics are calculated in accordance with the methodology set out in the legislation and ACAS guidance, female employees and male employees are considered as per the guidance. Our data is extracted from our source systems (Payroll and HR management system), before being reconciled and prepared for calculations to ensure that only the relevant employees, wage types and bonus types are included.

## Economy

### % of supplier payments paid to contractual terms

#### Metric:

% of supplier payments made within the contractual term.

#### Definitions:

Contractual term refers to the period between the date an invoice is received and when the invoice is due to be paid.

#### Scope:

ESO reporting considers Purchase Order (PO) invoices that are paid over the course of the year.

If an invoice is reversed, cancelled, or paid outside of the purchase order process, it is excluded from the calculation.

Supplier invoice data is continuously monitored and tracked via our financial management systems.

This metric is reported in line with the financial year, 1<sup>st</sup> April to 31<sup>st</sup> March.

#### Calculation methodology:

The metric is calculated based on the volume of invoices settled in the year as follows: (Total PO invoices paid within the contractual payment terms) / (Total PO invoices paid within the reporting time period) × 100.

### % of suppliers with a carbon reduction target

#### Metric:

% of ESO's suppliers engaged through CDP who have an active carbon reduction target by 2030.

#### Definitions:

# ESO

Carbon reduction targets are targets to reduce carbon emissions as defined by the Carbon Disclosure Project (CDP).

An ESO supplier listing is pulled from SpendCube by the Supplier Sustainability Team in the US – Global Procurement for the relevant financial year for NG CDP 250 suppliers and the ESO suppliers are identified from that list. The list is then filtered on suppliers that have an absolute or intensity target.

2022 (Nat. Grid wide 250) CDP campaign included 20 ESO suppliers in total of which 19 had an absolute or intensity target, according to the methodology  $(20/19)*100 = 95\%$

## *Scope:*

Our reporting considers targets set by our suppliers at the time of performing the review during the current reporting period.

All suppliers are considered when determining the ESO suppliers. However, a few suppliers have been excluded, largely on the basis that they are (1) not Procurement team driven suppliers such as Ancillary Services providers and (2) non-carbon relevant such as insurance service providers.

We are reassessing our approach for FY24.

Suppliers are asked to fill out the CDP online reporting system data submission questionnaire, with a minimum acceptable response rate of 80%. Procurement category teams agree on the supplier target listing. Total supplier spend of this total list is then determined via our financial management systems, based on data retrieved in the prior year. Spend is consolidated at the parent level of the ESO company.

## *Calculation methodology:*

The metric is calculated as follows:  $(\# \text{ of top suppliers engaged through CDP with carbon reduction targets}) / (\text{total } \# \text{ of top suppliers engaged through CDP with and without carbon reduction targets}) \times 100$ .

## Innovation spend

### *Metric:*

Annual spending into innovation .

### *Definitions:*

Investment in innovation refers to research and development expenditure on innovation projects and programmes including equipment and non-current intangible assets. Investments in and loans to joint venture projects and programmes and associates are included. This includes spending on the Network Innovation Allowance and Network Innovation Competition projects and programmes. It is reported in GBP (£ million).

### *Scope:*

This metric includes all innovation spend made by the ESO and its ESO spend on innovation in projects and programmes with our partners.

Data is based on actual investment data (not estimated).

This metric is reported in line with the financial year, 1<sup>st</sup> April to 31<sup>st</sup> March.

# ESO

## *Calculation methodology:*

Innovation spend data is reported and tracked via our operational management, financial management and reporting systems. All invested amounts made over the previous year are summed to calculate the total annual innovation investment figure. Our annual spend is measured in accordance with International Financial Reporting Standards (IFRS).

## **Jobs (employment)**

### *Metric:*

Total ESO workforce.

### *Definitions:*

Total workforce refers to all permanent ESO employees, regardless of paygrade and how long they have worked at the ESO. Included are those on parental leave or on short/long term leave of absence, part time workers, graduates, and interns. Excluded are temporary employees, contingent workers, managed service providers and non-executive Board members.

### *Scope:*

Includes the total ESO workforce across all parts of the business. The number of employees at each respective reporting year end is presented (31<sup>st</sup> March).

### *Calculation methodology:*

Data is extracted from the HR management system and the sum of workforce members is calculated.

## **Governance**

### **% of employees to have undertaken Ethics and Anti-Bribery & Corruption training**

#### *Metric:*

% of total ESO workforce population who have completed our Ethics training

% of total ESO workforce population who have completed our Anti-Bribery and Corruption training

#### *Definitions:*

Ethics training is an online training course intended to inform and educate attendees around the ESO's code of ethics.

Anti-Bribery and Corruption training is an online training course intended to inform and educate attendees about fraud, bribery and corruption.

Employees are all staff who are permanently employed by the ESO, excluding the ESO's contractors, agency staff and consultants even with an ESO email address, for the purpose of this metric.

#### *Scope:*

All employees as at the reporting date are included in these metrics. The status of employees who have completed the training is continuously monitored through our HR management system.

## ESO

The training courses are refreshed a minimum of every three years in accordance with when the code of ethics is refreshed, in line with our policy. The metric is calculated based on completion of the most recent and current training course available. Completion of previous training courses is not included in the measurement of this metric.

The % of employees who have completed ethics and Anti-Bribery and Corruption training is reported as at the relevant financial year end date, 31<sup>st</sup> March.

### *Calculation methodology:*

As at the year end, a report is run from our HR management system that shows our total number of employees and the total number of employees to have completed the ethics and fraud & bribery training courses.

The % of colleagues to have completed the training is calculated as: (total number of employees to have complete the training / total number of employees) × 100.

## Gender and Ethnicity Diversity of the Board

### *Metric:*

Percentage of diverse representation on our Board.

### *Definitions:*

Diverse Board members are individuals who have identified themselves as female, LGBTQ+, disabled or from an ethnic minority.

A Board member is only counted if they are diverse based on these categories. All our gender data relies on our Board member's classification of their own gender as male or female. Data on both Executive Directors and Non-Executive Directors is held in "MyHub" (The ESO's Human Resources ("HR") record management system), however we may, or may not hold complete diversity information on these individuals in our HR systems as we would with normal employees on our payroll. In the instance that any diversity information is missing for these individuals, our Corporate Affairs team would write to these individuals to invite them to declare their diversity status for use in our external diversity statistics. Employees and Board members are not obliged to provide diversity information.

The groups in Table 6 above are defined as 'diverse' and 'non-diverse' in the ESO.

Board refers to members as defined on the ESO website who are active in post during the financial year end (1<sup>st</sup> April to 31<sup>st</sup> March).

### *Scope:*

Board members can self-declare their diversity status (optional) in accordance with Table 6, within our Group HR system. In the instance that any diversity information is missing for individual Board members, our Corporate Affairs team write to these individuals to invite them to declare their diversity status for use in our external diversity statistics. We calculate the number of Board members who fit within one of the diverse categories in table 6. If a Board member fits more than one of these diverse categories, we would count this individual .

Gender and Ethnic Diversity of the Board is reported in the ARA as at year end (31<sup>st</sup> March).

# ESO

*Calculation methodology:*

The following calculation is performed on the dataset to calculate this metric:

- $\% \text{ diverse representation on the Board} = (\# \text{ Diverse members on the Board}) / (\# \text{ Board members})$