SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Financing Instruments

National Grid plc
27 July 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	• Green Bonds, Green Loans or other financial instruments
Relevant standards	• Green Bond Principles (2021), as administered by ICMA, Green Loan Principles (2021), as administered by LMA, and EU Taxonomy Delegated Act (June 2021)
Scope of verification	• National Grid plc Green Financing Framework (July 2021)
Lifecycle	• Pre-issuance verification
Validity	• As long as the Green Finance Framework remains unchanged

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Scope of work

National Grid plc ("National Grid") commissioned ISS ESG to assist with its Green Financing Framework by assessing three core elements to determine the sustainability quality of the Green Finance Instruments:

1. Green Finance Instruments' link to National Grid's sustainability strategy – drawing on National Grid's overall sustainability profile and issuance-specific Use of Proceeds categories.
2. National Grid's Green Financing Framework (July 2021) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (2021), the Loan Management Association (LMA)'s Green Loan Principles (2021) and the EU Taxonomy Delegated Act (June 2021).
3. The eligible project categories – whether they contribute positively to the UN SDGs and are aligned with the EU Taxonomy Technical Screening Criteria (including the Climate Change Mitigation Criteria and Do No Significant Harm Criteria) and Minimum Social Safeguards requirements.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION[1]
Part 1: **Green Financing Instruments' link to issuer's sustainability strategy**	According to the ISS ESG Corporate Rating published on 19.01.2021, the issuer shows a moderate sustainability performance against the industry peer group on key ESG issues faced by the Gas and Electricity Network Operators Sector. The issuer is rated 16th out of 50 companies within its sector. ISS ESG finds that the Use of Proceeds financed through this Green Financing Framework are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green Financing Instruments is clearly described by the issuer.	**Consistent**
Part 2: **Alignment with GBP, GLP**	The issuer has defined a formal concept for its Green Financing Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles and the Green Loan Principles.	**Aligned**
Part 3: **Sustainability quality of the Green Financing Framework**	The overall sustainability quality of the Green Financing Framework in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The Green Financing Instruments will (re-)finance eligible project/asset categories which include: renewable energy, energy efficiency, clean transportation, pollution prevention and control, environmental sustainability and green buildings. Those use of proceeds categories have a positive contribution to SDGs 7 "Affordable and clean energy", 11 "Sustainable Cities and Communities", 12 "Responsible Consumption and Production", and 13 "Climate Action", 15 "Life on Land". ISS ESG assessed the alignment of National Grid's due diligence processes and policies against the requirements of the EU Taxonomy (Delegated Act of June 2021). Based on robust processes for selection, the nominated project categories are considered to be aligned, on a best efforts basis, with the EU Taxonomy and the relevant activity-specific Technical Screening Criteria, including the Climate Change Mitigation Criteria, the Do No Significant Harm Criteria and the Minimum Social Safeguards requirements.	**Positive**

[1] ISS ESG's evaluation is based on the National Grid's Green Financing Framework (July 2021 version), and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on 19/1/2021).

ISS ESG SPO ASSESSMENT

PART I: GREEN FINANCING INSTRUMENTS' LINK TO NATIONAL GRID'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF NATIONAL GRID'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
NATIONAL GRID PLC	GAS AND ELECTRICITY NETWORK OPERATORS	4	VERY HIGH

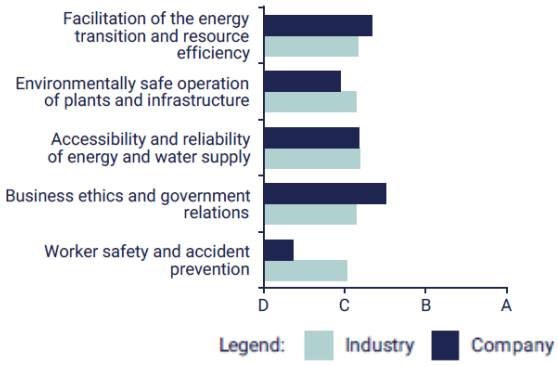
This means that the company currently shows a moderate sustainability performance against peers on key ESG issues faced by the Gas and Electricity Network Operators sector and obtains a Decile Rank relative to industry group of 4, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 10.06.2021, this Rating places National Grid 16th out of 50 companies rated by ISS ESG in the Gas and Electricity Network Operators sector.

Key challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Key Issue Performance



Sustainability Opportunities

National Grid gains the major share of its revenues from regulated activities in the US, and the operation of electricity transmission systems and natural gas transmission systems in the UK. As a transmission network operator, the company can contribute to the integration of renewable energies into the grid and thus to the transition to a more sustainable energy system. Some projects, such as smart grid programs and energy storage facilities, are implemented in this regard. Electricity generation in the US is assumed to account for a minor revenue share and is mainly based on fossil fuels, namely natural gas and oil. Renewable energy accounts for less than 1% of electricity generation. Yet, with the launch of National Grid Renewables in 2020, the company has set a clear commitment to increase their renewable energy generation capacity particularly from wind and solar.

Sustainability Risks

For a network operator, the main social issues are ensuring security and reliability of power supply, and health and safety of employees and contractors. The company has a reasonable strategy to ensure reliable electricity supply, which includes dedicated investment programmes for modernising and extending networks, among others. National Grid has established group-wide health and safety management systems, however the employee accident rate has increased in recent years. In addition, the company was issued multiple citations by the US Occupational Safety and Health Administration (OSHA) over its involvement in repeated breaches of health and safety standards in the past years. On the environmental side, network operators should address leakage from gas networks, biodiversity impacts of electricity networks and greenhouse gas emissions from network operation and electricity generation. There are comprehensive measures to reduce gas leakage and the leakage rate is rather low, but only some evidence is provided on efforts to reduce the environmental impacts of the electricity network. National Grid has established a sound strategy to address climate change with a target to reduce its direct and indirect greenhouse gas emissions by 80% against a 1990 baseline until 2030.

Governance opinion

National Grid's governance structure is designed to facilitate an effective supervision of the executive management team, with the chair of the board, Ms. Paula Rosput Reynolds, as well as the majority of the board members being independent (as at July 21, 2021). In addition, the company has set up fully independent board committees in charge of audits, remuneration and nomination. The company discloses its remuneration policy for executives, including long-term components, which could incentivize sustainable value creation. The company has established a board level committee in charge of sustainability issues. In addition, sustainability performance objectives are to some extent integrated into the variable remuneration of members of the executive management team. National Grid has established a comprehensive anti-fraud and bribery policy and a code of ethics, which addresses further relevant issues such as antitrust and conflicts of interest, at least on a general basis. Moreover, measures to ensure compliance are in place, such as compliance training, risk assessments and confidential reporting channels.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of National Grid's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along National Grid's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
Electricity and Gas distribution to individual customers	30%[2]	CONTRIBUTION	

[2] This refers to National Grid's revenues from their electricity and gas distribution in the US, which serves individual (retail) customers. It excludes the transmission network in the US and UK, as well as energy provided to non-individual customers, as it refers to social impacts only.

Breaches of international norms and ESG controversies

The company is not facing any controversies.

B. CONSISTENCY OF GREEN FINANCING INSTRUMENTS WITH NATIONAL GRID'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

National Grid's vision is to be at the heart of a clean, fair and affordable energy future in an industry sector where the pace of change is accelerating with increasing focus on decarbonisation, digitalisation and decentralisation.

The company has announced a 2050 net zero emissions target. In their Responsible Business Charter[3], they have announced interim 2030 and 2040 targets, which cover their Scope 1 and 2 greenhouse gas (GHG) emissions. This decarbonization aligns to a well-below-two-degrees pathway consistent with the ambitious requirements of the Paris Agreement and Science Based Targets initiative (SBTi). They also have an approved science-based 2030 target to reduce all their Scope 3 GHG emissions.

The company also has other quantitative targets involving other environmental impacts of the business, such as reducing SF6 emissions, air pollutants, waste production and restoring the natural land linked to their assets.

Going beyond their GHG emissions targets, National Grid has identified the 5 areas where they can have a positive and material impact on society. These are in the figure below. In their Charter, they include several qualitative and quantitative targets and ways to deliver positive impact on each of the 5 areas.

[3] https://www.nationalgrid.com/document/134426/download

Figure 1: National Grid's Framework

Rationale for issuance

In November 2019, National Grid plc published their first Green Financing Framework and as of December 2020, National Grid plc and its subsidiaries has so far issued five green bonds under (four under National Grid Electricity Transmission plc (NGET) and one under Niagara Mohawk Power Corporation (NIMO)). Their Framework states that the bonds, loans and other financial instruments issued under this Framework will be used to help the company invest in the decarbonisation of their networks and help support their commitment to the clean energy transition.

The company has now updated their original Framework. The new update introduces alignment of their Use of Proceeds with the EU Taxonomy Delegated Act (June 2021), some variations to their Use of Proceeds categories, as well as new information regarding their management of proceeds and reporting.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under these Financing Instruments with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Gas and Electricity Network Operators sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Renewable Energy	✓	✓	Contribution to a material objective
Energy Efficiency	✓	✓	Contribution to a material objective
Clean Transportation	✓	✓	Contribution to a material objective
Pollution Prevention and Control	✓	✓	Contribution to a material objective
Environmental Sustainability	✓	✓	Contribution to a material objective
Green Buildings	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceeds financed through this Green Financing Framework are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The description of the issuer's sustainability objectives and its rationale for issuing Green Financing Instruments is clearly described.*

PART II: ALIGNMENT WITH GREEN BOND PRINCIPLES (GBP), GREEN LOAN PRINCIPLES (GLP)

Use of Proceeds

An amount at least equivalent to the net proceeds from the issuance of the Green Financing Instruments will be used to finance or refinance, in whole or in part, new or existing green projects/assets ("Eligible Green Projects") from any of the Eligible Categories defined in the table below.

The key selection criteria of the Eligible Green Projects are their contribution to environmental sustainability, to fair and affordable transition to a clean energy economy, and to the reduction of the company's own emissions.

Each Eligible Green Project falls into one of the following Eligible Categories, and meets the corresponding Eligibility Criteria:

GBP/GLP CATEGORY	ELIGIBILITY CRITERIA	EU ECONOMIC ACTIVITY[4]	CONTRIBUTION TO EU'S ENVIRONMENTAL OBJECTIVE[5]
Renewable Energy	**Investments and / or expenditures in projects or assets that increase the share of low carbon electricity below the threshold of 100g CO2e / kWh in our power network, such as:**		
	Connection infrastructure for: - Renewable energy* generation - Interconnectors that transport electricity between separate systems	Transmission and distribution of electricity Electricity generation using solar PV or CSP technology, wind power Market research, development and innovation	**Substantial contribution to climate change mitigation** (Art. 10) **Sub-goals** 1.a and 1.g **Substantial contribution to climate change adaptation** (Art. 11) **Sub-goals** 1.a and 1.b
	Transmission and Distribution projects or assets with the main purpose of integrating low carbon emission generation, such as: - Development of the transmission and / or distribution networks to support low carbon energy supply - Management or control technology - Construction and operation of interconnectors - Research and development to maintain or increase the renewable energy feed-in in the grid		
	Transmission and Distribution projects or assets maintaining and / or enhancing the capacity for renewable energy into the electricity		

[4] Supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives, see here.
[5] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending regulation (EU) 2019/2088, see here.

	grid in a safe and reliable way, such as maintenance capex or generic infrastructure capex *The whole investment, expenditure or asset value is eligible if aligned with either of the following two criteria:* *- More than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100g CO2e / kWh, over a rolling five-year period* *- The grid's average emissions factor is less than 100g CO2 / kWh, over a rolling five-year period* *Otherwise, subject to the renewable energy capacity ratio (the "Green Ratio") of the issuing company, applied to the full investment, expenditure or asset value.*		
	Renewable Energy generation: acquisition, conception, construction, development, maintenance, expansion and/or operation of renewable energy generation infrastructure.		
Energy Efficiency	**Investments and / or expenditures in projects or assets that reduce energy consumption, improve network energy efficiency and/or reduce electricity grid losses, such as:**		
	Power Control devices: equipment or assets to increase the controllability and observability of the electricity system, balancing efficiency, and / or flexibility and technical availability of the grid, such as: - Sensors and measurement tools - Communication and control equipment - Development and/or use of data-driven solutions enabling GHG emission reductions	Transmission and distribution of electricity Storage of electricity Installation, maintenance and repair of energy efficiency equipment Production of heat/cool from geothermal energy	**Substantial contribution to climate change mitigation** (Art. 10) **Sub-goals** 1.a, 1.b, 1.d, and 1.g
	Storage systems: acquisition, conception, construction, development and/or operation of electricity storage equipment or assets		
	Retrofits: replacements and / or improvements to reduce energy losses, improve resilience of the grid, improve energy efficiency, and/or use sustainably-sourced materials, such as: - Investment in installation or replacement of energy efficient light sources e.g. LED lighting		

	- Installation, replacement, maintenance and repair of ventilation systems		
	Smart Equipment: assets, or equipment and / or infrastructure to carry information to users for remotely acting on consumption, and/or to allow for the exchange of renewable electricity between users, including: - Smart grids - Smart meters - Smart city energy solutions		
	Construction or operation of facilities that produce heating/cooling from geothermal energy, and that have life-cycle GHG emissions lower than 100gCO2e/kWh		
Clean Transportation	**Investments and / or expenditures in projects or assets that reduce greenhouse gas emissions from transport, such as:**		
	Infrastructure for clean transportation: construction, development, operation, acquisition and / or maintenance of infrastructure supporting sustainable mobility and low-carbon vehicles, including: - Electric vehicle charging stations - Network extensions or capacity upgrades supporting low-carbon transportation	Transmission and distribution of electricity Transport by motorbikes, passenger cars and light commercial vehicles Infrastructure enabling low-carbon road transport and public transport Installation, maintenance and repair of charging stations for electric vehicles	**Substantial contribution to climate change mitigation** (Art. 10) **Sub-goal** 1.c
	Renewal of the Group's fleet, including passenger cars, light commercial vehicles and large vehicles: – Purchase of zero tailpipe emission light-duty vehicles (electric vehicles) – Purchase of zero or low tailpipe emission heavy-duty vehicles (electric/hydrogen vehicles)		
Pollution Prevention and Control	**Investments and / or expenditures in projects or assets that reduce waste and greenhouse gas emissions, as well as preventing or reducing environmental pollution, such as:**		
	The construction, development, operation and / or maintenance of facilities, systems or equipment aiming at **reducing greenhouse gas emissions**, including: - Replacement of equipment or assets containing SF6 for a cleaner alternative - Research and development on solutions to reduce greenhouse gas emissions, such as the g3 technology	Production of heat/cool using waste heat Material recovery from non-hazardous waste Data-driven solutions for GHG emissions reductions Market research, development and innovation	**Substantial contribution to climate change mitigation** (Art. 10) **Sub-goals** 1.e and 1.g **Substantial contribution to the transition to a circular economy** (Art. 13) **Sub-goals** 1.e, 1. f, 1.g, 1.h, 1.i, 1.j, and 1.k
	Monitoring equipment to control leaks and GHG emissions		
	Waste prevention, reduction and recycling: projects and programmes aimed at reducing, reusing and / or		**Substantial contribution to pollution prevention and**

	recycling office and industrial recovered assets and waste	Not covered, but supporting the DNSH criteria of other activities that are EU Taxonomy aligned	**control** (Art. 14) **Sub-goal** 1.a
	Works aimed at **preventing or reducing any risk of environmental pollution**, such as the treatment and disposal of hazardous materials and / or waste		
	Transforming technology: projects aimed at using and recycling energy and material wastes to reduce our emissions and carbon footprint, including: - Heat-to-energy facilities and technologies		
Environmental Sustainability	**Investment and/or expenditures on projects or assets that reduce the impact on land and terrestrial biodiversity, such as:**		
	The sustainable management and value enhancement of our land, through the maintenance and / or increase of the soil/land quality and value, and/or protection of the local biodiversity	Transmission and distribution of electricity Not covered, but supporting the DNSH criteria of other activities that are EU Taxonomy aligned	**Substantial contribution to climate change mitigation** (Art. 10) **Sub-goal** 1.f **Substantial contribution to the protection and restoration of biodiversity and ecosystems** (Art. 15) **Sub-goals** 1.a and 1.b
	The preservation and restoration of natural landscapes, including through: - The intentional restoration/rehabilitation to initiate or accelerate the recovery of an ecosystem from a degraded state - The conservation of biological diversity, including works in wildlife reserves, key habitats and forests, designated wildlife and habitat protection		
	Grid improvements aiming at rehabilitating the natural landscape and environment, such as substitution of overhead lines with underground cables in protected areas		
Green Buildings	**Investments and / or expenditures in new or existing buildings, and/or in projects that improve the energy efficiency performance of buildings, such as:**		
	The acquisition or construction of: - Buildings built before 31 December 2020 either with an EPC label ≥ "A" or belonging to the top 15% of the national building stock - Buildings built after 31 December 2020 with energy performance lower of at least 10% than the threshold set for nearly zero-building (NZEB) requirements	Construction of new buildings Renovation of existing buildings Installation, maintenance and repair of energy efficiency equipment Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	**Substantial contribution to climate change mitigation** (Art. 10) **Sub-goal** 1.b
	Renovations of existing buildings and individual measures to improve energy performance and achieve	Installation, maintenance and repair of renewable energy technologies	

	energy savings of at least 30% in comparison to the baseline performance before the building renovation	Acquisition and ownership of buildings	

Opinion: *ISS ESG considers the Use of Proceeds description provided by National Grid's Green Financing Framework as aligned with the GBPs and GLPs. ISS ESG's review of the Use of Proceeds alignment with the EU Taxonomy Delegated Act (June 2021) is in Part 3. A diverse range of project categories, which are relevant to the issuer's stated sustainability goals, are included. Details are provided per category, laying out the environmental benefits that they deliver.*

1. Process for Project Evaluation and Selection

A dedicated Green Financing Committee oversees the governance of National Grid's Green Financing Programme.
The Committee is chaired by the Group Treasurer, and comprises representatives from:

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

Other representatives of the Company may attend as required as subject matter experts.

The Committee's primary objectives are to:

1. Carry out the process of project evaluation and selection. This includes reviewing on a quarterly basis the Sub-Portfolios of Eligible Green Projects for Green Financing Instruments and deciding on the inclusion of new projects.
2. Monitor and approve the Annual Green Financing Report processes and publication.
3. Review and approve the Green Financing Framework and any changes proposed or made to the Framework.

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

National Grid's Eligible Green Projects exclude fossil fuel generation plants, and gas transmission and distribution infrastructure.

Projects are considered and assessed based on their environmental impact, their compliance with the Eligibility Criteria, their contribution to National Grid's sustainability strategy, and are expected to adhere to the Group's policies and Business Management System (BMS) Standards. The Eligible Green Projects are also expected to be aligned as closely as possible with the EU Taxonomy Regulation and Delegated Act (June 2021), including Do No Significant Harm (DNSH) criteria and Minimum Social

Safeguards (MSS) requirements, and to comply with applicable national, European and international environmental and social standards and regulations.

National Grid's comprehensive 20 group-wide BMS Standards ensure a stringent management of any potential negative environmental, safety and social impact associated with their activities, by defining the areas of greatest risk and value, their business is expected to comply with and establishing the minimum requirement National Grid must follow. Business areas across National Grid monitor their performance against the BMS, with outcome measures being updated and communicated through Quarterly Business Reviews (QBR). For more details about the BMS, please see the Framework. National Grid's BMS Standards include

- Environmental Sustainability Standard
- Asset Management and Engineering Standard
- Enterprise Risk Management Standard
- Ethics Standard
- Occupational Safety Standard
- Process Safety Standard
- Stakeholder Engagement Standard

The BMS Standards are further supported by additional policies[6], such as the Environmental Sustainability Policy, Occupational Safety Policy, Process Safety Policy, and Wellbeing & Health Policy. More information about the BMS Standards and the policies may be found in the Framework.

National Grid does not have direct operations in countries of high concern with respect to human rights, therefore they do not have a specific policy relating to human rights. However, respect for human rights is incorporated into their employment practices and values, which are integral to their Code of Ethics.

Their Supplier Code of Conduct is updated and communicated to their suppliers annually and clearly sets out their expectations to share their commitment to respecting, protecting and promoting human rights. This includes alignment to the UN Guiding Principles, the 10 Principles of the United Nations Global Compact, the International Labour Organisation (ILO) minimum standards, other initiatives and standards and relevant legislation.

Opinion: *ISS ESG considers the Process for Project Evaluation and Selection description provided by National Grid's Green Financing Framework as aligned with the GBPs and GLPs. There is involvement of the Group Treasurer and a dedicated committee with clear procedures. There is a clear exclusion of fossil fuel related assets, reflecting best market practice. ISS ESG notes that the only reason why some projects may not be fully aligned with the EU Taxonomy is due to them being located in the US and the UK and therefore the projects would not be able to directly relate to the relevant EU Directives as mentioned in the Technical Screening and Do Not Significant Harm Criteria. National Grid confirms that all of their projects meet the relevant local regulatory requirements.*

2. Management of Proceeds

[6] Available on National Grid's website: https://www.nationalgrid.com/about-us/corporate-information/corporate-governance

The net proceeds from each of National Grid Financing Instruments will be tracked internally. Each Operating Company of the Group will have a dedicated Sub-Portfolio of Eligible Green Projects (collectively "Sub-Portfolios of Eligible Green Projects"), and an amount equivalent to the net proceeds of each instrument will be earmarked for allocation to the Sub-Portfolio of the issuing entity, in accordance with the National Grid Green Financing Framework. In the case of a Green Financing Instrument issued by National Grid plc, National Grid North America Inc. or National Grid Holdings One plc, an amount equivalent to the net proceeds of each instrument will be earmarked for allocation to the Sub-Portfolio of at least one of their subsidiaries. National Grid will ensure that there is no double counting by earmarking for allocation the capex and / or selected opex of an Eligible Green Project only once.

Eligible Green Projects may include capital and selected operating expenditures of new projects, projects under construction or development or projects that have been completed, with a maximum three-year look-back period before the issuance year of the Green Finance Instrument. In case National Grid selects eligible green assets, they shall qualify for refinancing without a specific look-back period, provided that at the time of issuance they follow the relevant Eligibility Criteria.

The balance of the tracked proceeds should be periodically adjusted, in order to match allocations to Eligible Green Projects (re)financed during this period.

National Grid commits to maintaining a level of allocation for the Sub-Portfolios of Eligible Green Projects that matches or exceeds the net proceeds of its outstanding Green Financing Instruments within a timeframe of 24 months after issuance. To this end, National Grid will substitute any projects that are no longer eligible as soon as practical once an appropriate substitution option has been identified, on a best effort basis.

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

Where proceeds cannot be immediately allocated or reallocated, National Grid Group will invest the balance of the net proceeds at its own discretion as per the company's liquidity management policy, including in cash or cash equivalents, or in other liquid marketable instruments.

Opinion: *ISS ESG finds the Management of Proceeds process provided by National Grid's Green Financing Framework is well aligned with the GBPs and GLPs. The careful earmarking process, three year look back period for the refinancing of CAPEX of eligible projects and timeframe of 24 months for the allocation of proceeds follow best market practices.*

3. Reporting

National Grid will report on the allocation of net proceeds and associated impact metrics of the Green Financing Instruments within one year from the first borrowing date and annually thereafter until the proceeds have been fully allocated, and as necessary in the event of material developments, changing market requirements or best practice.

In line with the Management of Proceeds, National Grid intends to report at least on a Sub-Portfolio basis, i.e. aggregated reporting for all outstanding Green Financing Instruments per issuing company, and category-by-category basis.

National Grid also intends to report on the degree of alignment of its Eligible Green Projects, at least on a Sub-Portfolios i.e. aggregated basis, with EU Taxonomy Regulation and EU Taxonomy Delegated Act, where feasible.

The Green Bonds section of the report will be published as a standalone report and/or part of National Grid annual report or Responsible Business Report, and will be made available, on National Grid's website[7].

Allocation Report per Sub-Portfolio

The report will include:

- The list of Eligible Green Projects (re)financed, including project names and geographical distribution where feasible;
- The aggregated amount of allocation of the net proceeds to the Eligible Green Projects at Sub-Portfolio and category level;
- The proportion of net proceeds used for financing versus refinancing;
- The balance of any unallocated proceeds invested as per the company's liquidity management policy, including in cash or cash equivalents, or in other liquid marketable instruments
- The breakdown of the Sub-Portfolio by nature of what is being financed (assets, capital expenditures); and
- The mapping of the EU Environmental Objectives pursued by the assets and capital expenditures in the Sub-Portfolio

Impact Reporting

National Grid will report on relevant environmental impact metrics and it will disclose measurement methodology for quantitative indicators. National Grid intends to align, on a best effort basis, the reporting with the portfolio approach described in ICMA's "Handbook – Harmonized Framework for Impact Reporting (June 2021). Below are examples of impact indicators that may be reported:

ELIGIBLE CATEGORY	POTENTIAL QUANTITATIVE PERFORMANCE INDICATORS TO BE PROVIDED AT ELIGIBLE CATEGORY LEVEL
Renewable Energy	▪ *Estimated CO2 emission avoided (tCO2 e)* ▪ *Additional capacity of renewable energy connected to the systems (MW)*
Energy Efficiency	▪ *Estimated CO2 emission avoided (tCO2 e)* ▪ *Expected Energy savings (MWh)*
Green Buildings	▪ *Estimated CO2 emission avoided (tCO2 e)* ▪ *Floor space of green real estate (m²)*

[7] https://www.nationalgrid.com/investors/debt-investors/green-financing

Clean Transportation	▪ *Estimated CO2 emission avoided (tCO2 e)* ▪ *Length of rail electrified (km)* ▪ *Number of EV charging plugs installed (#)*
Pollution prevention and control	▪ *Waste reduction (tons)* ▪ *Increase of recycling capacity (tons)* ▪ *Estimated CO2 emission avoided (tCO2eq)*
Environmentally sustainable management of living natural resources and land use	▪ *Total estimated surface area impacted (sq. km)* ▪ *Number of bird nesting platforms installed (#)*

Environmental impact metrics are expected to include both actual and expected impact at completion, both of which will be identified.

Opinion: *ISS ESG finds that the reporting proposed by National Grid's Green Financing Framework is well aligned with the GBPs and GLPs. The issuer commits to reporting on the project names and geographical distribution (where feasible), the proportion of financing vs refinancing, the proportions allocated towards each project category, and also how the unallocated proceeds are invested, reflecting best market practice.*

The potential quantitative performance indicators mentioned are relevant to the nominated use of proceeds categories and the methodologies behind the calculations of the indicators will be provided, which follows the guidance of the ICMA Handbook - Harmonized Framework for Impact Reporting.

External Review

a. Second Party Opinion (Pre-Issuance)

The Second Party Opinion and the Green Financing Framework will be made available on National Grid's website[8].

b. Post-issuance External Verification

An independent auditor who will provide a limited assurance will review the allocation of Green Financing Instruments proceeds, adherence to asset selection criteria, and environmental metrics.

The auditors' report will be made available on National Grid's website.

Opinion: *ISS ESG finds that the external reviews proposed by National Grid's Green Financing Framework is well aligned with the GBPs and GLPs. The issuer commits to conducting a post-issuance verification by an external auditor. The report will be made public, reflecting best market practices.*

[8] https://www.nationalgrid.com/investors/debt-investors/green-financing

PART III: SUSTAINABILITY QUALITY OF THE USE OF PROCEEDS

A. CONTRIBUTION OF THE ELIGIBLE PROJECT CATEGORIES TO THE UN SDGs

Based on the assessment of the sustainability quality of the eligible project categories and using a proprietary methodology, ISS ESG assessed the contribution of the National Grid's Green Financing Instruments to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution

Each of the Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Solar Energy	**Significant contribution**	
Wind Energy	**Significant contribution**	
Green Buildings	**Significant contribution**	
Pollution prevention and control ***Reducing emissions of GHG such as SF6***	**Significant contribution**	
Waste prevention, reduction and recycling	**Significant contribution**	
Energy Storage and improving efficiency of Grid infrastructure	**Significant contribution**	
Transmission and Distribution	**Significant contribution**[9]	
Electric Vehicles and Hybrid Vehicles	**Limited contribution**	

[9] This SDG assessment slightly differs from ISS ESG SDG Assessment Methodology due to the fact that the issuer has aligned with the technical screening criteria of the EU Taxonomy Delegated Act (June 2021).

Electric Vehicle Charging Station	**Limited contribution**	
Smart Energy infrastructure	**Limited contribution**	
Land Restoration	**Limited contribution**	

B ALIGNMENT OF THE ELIGIBLE GREEN PROJECT CATEGORIES WITH THE EU TAXONOMY

ISS ESG assessed the alignment of National Grid's project selection process and company policies for the nominated UoP project categories, with the relevant Climate Change Mitigation, Do Not Significant Harm Criteria and Minimum Social Safeguards requirements of the EU Taxonomy Delegated Act[10] (June 2021), based on information provided by National Grid. Where National Grid's projects and policies fully meet the Criteria requirements, a tick is shown in the table below, for the ISS ESG assessment against the Criteria requirements.

National Grid's nominated project categories overlap with the following economic activities in the EU Taxonomy for Substantial Contribution to Climate Change Mitigation.

4.1. Electricity generation using solar PV technology

4.2. Electricity generation using concentrated solar power (CSP) technology

4.3. Electricity generation from wind power

4.9. Transmission and distribution of electricity

4.10. Storage of electricity

4.22. Production of heat/cool from geothermal energy

4.25. Production of heat/cool using waste heat

5.9. Material recovery from non-hazardous waste

6.5. Transport by motorbikes, passenger cars and light commercial vehicles

6.15. Infrastructure enabling low-carbon road transport and public transport

7.1. Construction of new buildings

7.2. Renovation of existing buildings

7.3. Installation, maintenance and repair of energy efficiency equipment

[10]https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings

7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings

7.6. Installation, maintenance and repair of renewable energy technologies

7.7. Acquisition and ownership of buildings

8.2. Data-driven solutions for GHG emissions reductions

9.1. Close to market research, development and innovation

Note:

1) In order to avoid repetition, the evaluation of the alignment of National Grid's assets to the Do No Significant Harm Criteria (DNSH) to Adaptation is given at Section B.20. It is applicable to all of the above activities.
2) Similarly, the evaluation of the alignment to the DNSH Criteria to Ecosystems is found at Section B.20. It is applicable for all of the categories which involve this Criteria. Where some activities have additional Criteria requirements, the relevant evaluation is provided in the specific section.
3) National Grid's assets are located in the UK and the US. The assets which are core to the company's business, such as the T&D networks, are highly regulated by the local authorities. Also, National Grid has strict compliance policies to ensure that all of the company's assets, including their noncore assets meet all of the relevant US and UK regulations. However, they may not necessarily directly relate to all of the EU Regulations and Directives which are included in the DNSH Criteria. National Grid commits to including the DNSH Criteria requirements into its project selection process and will choose projects which are aligned with the EU Taxonomy on a best efforts basis. Where this is the case, a circle has been used in the table below, for the ISS ESG assessment against the Criteria requirement. National Grid will include in their annual reporting the details of the EU Taxonomy alignment of their projects and assets financed through their Green Financing, at least on a Sub-Portfolios i.e. aggregated basis, where feasible.
4) National Grid has nominated some minor projects in the categories of Pollution Prevention and Control and Environmental Sustainability in the Framework, which do not directly overlap with the economic activities which have a Significant Contribution to Climate Change Mitigation. These projects may possibly have a Significant Contribution to Pollution Prevention and Control and Biodiversity and Ecosystems, when the Delegated Act for those objectives are released later. For now, they are assessed to be enabling the other activities to avoid Significant Harm to those two objectives.

B.1 4.1 Electricity generation from solar PV

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
The activity generates electricity using solar PV technology.	Solar PV automatically meet the Mitigation criteria	✓
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See Section B.20 of this report.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.	National Grid has a waste management plan in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy. The company maintains environmental management certification ISO 14001, and an environmental Sustainability policy which includes: • using resources more efficiently, • ensuring prevention of pollution is a key consideration in the design of all of their assets, • ensuring all applicable procurement decisions include sustainability considerations, • using resources more efficiently through good design, using sustainable resources, • reducing waste produced by refurbishing existing assets, recovering assets and waste, (where possible) and recycling	✓
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (6)	See Section B.20 of this report.	✓

B.2 4.2 Electricity generation from solar CSP

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
The activity generates electricity using CSP technology	Solar CSP projects automatically meet the Mitigation criteria.	✓
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See Section B.20 of this report.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.	National Grid has a waste management plan in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy. The company maintains environmental management certification ISO 14001, and an environmental Sustainability policy which includes: • using resources more efficiently, • ensuring prevention of pollution is a key consideration in the design of all of their assets, • ensuring all applicable procurement decisions include sustainability considerations, • using resources more efficiently through good design, using sustainable materials, • reducing waste produced by refurbishing existing assets, recovering assets and waste, (where possible) and recycling	✓
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (6)	See Section B.20 of this report.	✓

B.3 4.3 Electricity generation from wind power

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
The activity generates electricity from wind power.	Wind projects automatically meet the Mitigation criteria.	✓
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See Section B.20 of this report.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
In case of construction of offshore wind, the activity does not hamper the achievement of good environmental status as set out in Directive 2008/56/EC of the European Parliament and of the Council requiring that the appropriate measures are taken to prevent or mitigate impacts in relation to that Directive's Descriptor 11 (Noise/Energy), laid down in Annex I to that Directive, and as set out in Commission Decision (EU) 2017/848 in relation to the relevant criteria and methodological standards for that descriptor.	In the case of offshore wind, National Grid confirms that they follow the relevant US Environmental Impact Assessment (EIA) regulations and would conduct any necessary prevention or mitigation measures that ensue from those assessments.	✓
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		

The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.	National Grid has a waste management plan in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy. The company maintains environmental management certification ISO 14001, and an environmental Sustainability policy which includes: • using resources more efficiently, • ensuring prevention of pollution is a key consideration in the design of all of their assets, • ensuring all applicable procurement decisions include sustainability considerations, • using resources more efficiently through good design, using sustainable materials, • reducing waste produced by refurbishing existing assets, recovering assets and waste, (where possible) and recycling	✓
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
In addition to the Generic Criteria for (6), In case of offshore wind, the activity does not hamper the achievement of good environmental status as set out in Directive 2008/56/EC, requiring that the appropriate measures are taken to prevent or mitigate impacts in relation to that Directive's Descriptors 1 (biodiversity) and 6 (seabed integrity), laid down in Annex I to that Directive, and as set out in Decision (EU) 2017/848 in relation to the relevant criteria and methodological standards for those descriptors.	See Section B.20 of this report. In the case of offshore wind projects in the US, National Grid confirms that they follow the relevant US Environmental Impact Assessment (EIA) regulations and would conduct any necessary prevention or mitigation measures that ensue from those assessments.	✓

B.4 4.9 - Transmission and distribution of electricity

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
'1. The transmission and distribution infrastructure or equipment is in an electricity system that complies with at least one of the following criteria: (a) the system is the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems; (b) more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO2e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period; (c) the average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 gCO2e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period;	National Grid's T&D infrastructure in the UK is part of the interconnected European system and its subordinated systems. For any other infrastructure within National Grid's project list that's not within the interconnected system or its subordinated systems, National Grid would only include infrastructure and projects which meet the necessary threshold 100 gCO2e/kWh, by using the Green Ratio calculation method, as explained on page 13 of the issuer's Framework.	✓

2. The activity is one of the following: (a) construction and operation of direct connection, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100 gCO2e/kWh measured on a life cycle basis to a substation or network; (d) construction/installation and operation of equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation; (e) installation of equipment to increase the controllability and observability of the electricity system and to enable the development and integration of renewable energy sources (h) interconnectors between transmission systems are eligible, provided that one of the systems is eligible.		
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See Section B.20 of this report.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		

A waste management plan is in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy, including through contractual agreements with waste management partners, reflection in financial projections or official project documentation.	National Grid has a waste management plan in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy. The company maintains environmental management certification ISO 14001, and an environmental Sustainability policy which includes: • using resources more efficiently, • ensuring prevention of pollution is a key consideration in the design of all of their assets, • ensuring all applicable procurement decisions include sustainability considerations, • using resources more efficiently through good design, using sustainable materials, • reducing waste produced by refurbishing existing assets, recovering assets and waste, (where possible) and recycling	✓
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
Overground high voltage lines: (a) for construction site activities, activities follow the principles of the IFC General Environmental, Health, and Safety Guidelines (b) Activities respect applicable norms and regulations to limit impact of electromagnetic radiation on human health, including for activities carried out in the Union, the Council recommendation on the limitation of exposure of the general public to electromagnetic fields (0 Hz to 300 GHz) and for activities carried out in third countries, the 1998 Guidelines of International Commission on Non-Ionizing Radiation Protection (ICNIRP).	National Grid's high voltage lines in the UK and US are highly regulated by the relevant authorities. They have provided documents to confirm that they meet the relevant requirements for electromagnetic radiation for construction activities and public health.	✓

6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (6)	See Section B.20 of this report.	✓

B.5 4.10. Storage of electricity

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
The activity is the construction and operation of electricity storage including pumped hydropower storage. Where the activity includes chemical energy storage, the medium of storage (such as hydrogen or ammonia) complies with the criteria for manufacturing of the corresponding product specified in Sections 3.7 to 3.17 of this Annex. In case of using hydrogen as electricity storage, where hydrogen meets the technical screening criteria specified in Section 3.10 of this Annex, re-electrification of hydrogen is also considered part of the activity.	National Grid will include closed loop pumped storage hydropower projects as well as battery storage systems	✓
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See Section B.20 of this report.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
In case of pumped hydropower storage not connected to a river body, the activity complies with the criteria set out in Appendix B to this Annex. (Environmental degradation risks related to preserving water quality and	National Grid confirms that they follow the relevant Environmental Impact Assessment (EIA) regulations and would conduct any necessary prevention or mitigation measures that ensue from those assessments.	✓

avoiding water stress are identified and addressed with the aim of achieving good water status and good ecological potential as defined in Article 2, points (22) and (23), of Regulation (EU) 2020/852, in accordance with Directive 2000/60/EC of the European Parliament and of the Council and a water use and protection management plan, developed thereunder for the potentially affected water body or bodies, in consultation with relevant stakeholders. Where an Environmental Impact Assessment is carried out in accordance with Directive 2011/92/EU of the European Parliament and of the Council and includes an assessment of the impact on water in accordance with Directive 2000/60/EC, no additional assessment of impact on water is required, provided the risks identified have been addressed.) In case of pumped hydropower storage connected to a river body, the activity complies with the criteria for DNSH to sustainable use and protection of water and marine resources specified in Section 4.5 (Electricity production from hydropower).		

4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*

A waste management plan is in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy, including through contractual agreements with waste management partners, reflection in financial projections or official project documentation.	National Grid has a waste management plan in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy. The company maintains environmental management certification ISO 14001, and an environmental Sustainability policy which includes: • using resources more efficiently, • ensuring prevention of pollution is a key consideration in the design of all of their assets, • ensuring all applicable procurement decisions include sustainability considerations, • using resources more efficiently through good design, using sustainable materials, • reducing waste produced by refurbishing existing assets, recovering assets and waste, (where possible) and recycling	✓
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (6)	See Section B.20 of this report.	✓

B.6 4.22. Production of heat/cool from geothermal energy

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
The life-cycle GHG emissions from the generation of heat/cool from geothermal energy are lower than 100gCO2e/kWh. Life-cycle GHG emissions are calculated based on project-specific data, where available, using Commission Recommendation 2013/179/EU or, alternatively,	National Grid currently does not have assets in the project list for this activity. If they include such a project at a later date, they commit to using this Criteria in their project selection process.	✓

using ISO 14067:2018 or ISO 14064-1:2018. Quantified life-cycle GHG emissions are verified by an independent third party.		
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See Section B.20 of this report.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR DNSH TO SUSTAINABLE USE AND PROTECTION OF WATER AND MARINE RESOURCES	See Section B.20 of this report.	✓
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
For the operation of high-enthalpy geothermal energy systems, adequate abatement systems are in place to reduce emission levels in order not to hamper the achievement of air quality limit values set out in Directives 2004/107/EC and 2008/50/EC.	National Grid currently does not have assets in the project list for this activity. If they include such a project at a later date, they commit to complying with the relevant local regulations in the UK and US. They will include this criteria in their project selection process on a best effort basis.	○
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (6)	See Section B.20 of this report.	✓

B.7 4.25 Production of heat/cool using waste heat

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
	Facilities producing heat/cool from waste heat automatically meet the Mitigation Criteria	✓
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		

GENERIC CRITERIA FOR (2)	See Section B.20 of this report.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.	National Grid has a waste management plan in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy. The company maintains environmental management certification ISO 14001, and an environmental Sustainability policy which includes: • using resources more efficiently, • ensuring prevention of pollution is a key consideration in the design of all of their assets, • ensuring all applicable procurement decisions include sustainability considerations, • using resources more efficiently through good design, using sustainable materials, • reducing waste produced by refurbishing existing assets, recovering assets and waste, (where possible) and recycling	✓
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
Pumps and the kind of equipment used, which is covered by Ecodesign and Energy labelling comply, where relevant, with the top class requirements of the energy label laid down in Regulation (EU) 2017/1369, and with implementing regulations under Directive 2009/125/EC and represent the best available technology.	National Grid currently does not have assets in the project list for this activity. If they include such a project at a later date, they commit to complying with the relevant local regulations in the UK and US. They will include this criteria in their project selection process on a best effort basis.	○
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (6)	See Section B.20 of this report.	✓

B.8 5.9. Material recovery from non-hazardous waste

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
The activity converts at least 50 %, in terms of weight, of the processed separately collected non-hazardous waste into secondary raw materials that are suitable for the substitution of virgin materials in production processes.	National Grid has a waste management plan in place, which includes recycling activities. Only recycling activities which meet this threshold will be financed by the Green Financing.	✓
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See Section B.20 of this report.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (6)	See Section B.20 of this report.	✓

B.9 6.5. Transport by motorbikes, passenger cars and light commercial vehicles

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
The activity complies with the following criteria: (a) for vehicles of category M1 and N1, both falling under the	National Grid plans to purchase only electric vehicles as part of this financing. They have a target of 100% electric vehicle fleet by 2030 for light vehicles as expressed in their Responsible Business Charter.	✓

scope of Regulation (EC) No 715/2007: (i) until 31 December 2025, specific emissions of CO2, as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are lower than 50gCO2/km (low- and zero-emission light-duty vehicles); (ii) from 1 January 2026, specific emissions of CO2, as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are zero. (b) for vehicles of category L, the tailpipe CO2 emissions equal to 0g CO2e/km calculated in accordance with the emission test laid down in Regulation (EU) 168/2013.		
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See Section B.20 of this report.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
Vehicles of categories M1 and N1 are both of the following: (a) reusable or recyclable to a minimum of 85% by weight; (b) reusable or recoverable to a minimum of 95% by weight. Measures are in place to manage waste both in the use phase (maintenance) and the	EU Directive 2000/53/EC "End of Life Vehicles" which includes these requirements, was transposed in the UK in 2000. It will continue to apply in the UK for all new vehicles sold[11]. There is no equivalent regulation in the United States, however National Grid, through its waste management plan and vehicle procurement policy, commits to applying the same thresholds to its vehicle fleet in the US, on a best efforts basis.	○

[11] https://www.gov.uk/guidance/elv

end-of-life of the fleet, including through reuse and recycling of batteries and electronics (in particular critical raw materials therein), in accordance with the waste hierarchy.	National Grid has a waste management plan in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy. The company maintains environmental management certification ISO 14001, and an environmental Sustainability policy which includes • Using resources more efficiently • Ensuring prevention of pollution is a key consideration in the design of all of their assets. • Ensuring all applicable procurement decisions include sustainability considerations. • Using resources more efficiently through good design, using sustainable materials. • reducing waste produced by refurbishing existing assets, recovering assets and waste, (where possible) and recycling	
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
Vehicles comply with the requirements of the most recent applicable stage of the Euro 6 light-duty emission type-approval set out in accordance with Regulation (EC) No. 715/2007. Vehicles comply with the emission thresholds for clean light-duty vehicles set out in Table 2 of the Annex to Directive 2009/33/EC of the European Parliament and of the Council. For road vehicles of categories M and N, tyres comply with external rolling noise requirements in the highest populated class and with Rolling Resistance Coefficient (influencing the vehicle energy efficiency) in the two highest populated classes as set out in Regulation (EU) 2020/740 and	National Grid plans to purchase only electric vehicles as part of this financing. They have a target of 100% electric vehicle fleet by 2030 for light vehicles as expressed in their Responsible Business Charter. The vehicles would pass the emissions requirements of the Criteria. As for the tyre rolling noise and Regulation (EU) No 540/2014 components of the Criteria, National Grid commits to complying with the relevant local regulations in the UK and US. They will include this criteria in their project selection process on a best effort basis.	○

as can be verified from the European Product Registry for Energy Labelling (EPREL). Vehicles comply with Regulation (EU) No 540/2014 of the European Parliament and of the Council.		
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-

B.10 6.15. Infrastructure enabling low-carbon road transport and public transport

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
1. The activity complies with one or more of the following criteria: (a) the infrastructure is dedicated to the operation of vehicles with zero tailpipe CO2 emissions: electric charging points, electricity grid connection upgrades, hydrogen fuelling stations or electric road systems (ERS); (b) the infrastructure and installations are dedicated to transhipping freight between the modes: terminal infrastructure and superstructures for loading, unloading and transhipment of goods; (c) the infrastructure and installations are dedicated to urban and suburban public passenger transport, including associated signalling systems	Electric charging points for passenger vehicles are automatically aligned with the Mitigation criteria. National Grid is not involved with any infrastructure relating to shipping.	✓

for metro, tram and rail systems. 2. The infrastructure is not dedicated to the transport or storage of fossil fuels.		
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See Section B.20 of this report.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR DNSH TO SUSTAINABLE USE AND PROTECTION OF WATER AND MARINE RESOURCES Environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed with the aim of achieving good water status and good ecological potential as defined in Article 2, points (22) and (23), of Regulation (EU) 2020/852, in accordance with Directive 2000/60/EC of the European Parliament and of the Council and a water use and protection management plan, developed thereunder for the potentially affected water body or bodies, in consultation with relevant stakeholders. Where an Environmental Impact Assessment is carried out in accordance with Directive 2011/92/EU of the European Parliament and of the Council328 and includes an assessment of the impact on water in accordance with Directive 2000/60/EC, no additional assessment of impact on water is required,	As National Grid's projects are only land based and not related to any shipping infrastructure, this criteria should not be relevant. However, in case there are any projects which may have impacts on local water resources, National Grid confirms that they follow the relevant Environmental Impact Assessment (EIA) regulations and would conduct any necessary prevention or mitigation measures that ensue from those assessments.	✓

provided the risks identified have been addressed.		
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material defined in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol. Operators limit waste generation in processes related construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste.	National Grid currently does not have any information regarding these details, however they commit to complying with the relevant local regulations in the UK and US. They will include this criteria in their project selection process on a best effort basis.	○
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
Where relevant, noise and vibrations from use of infrastructure are mitigated by introducing open trenches,	National Grid confirms that they comply with all relevant local regulations in the UK and US and will include this criteria in their project selection process on a best effort basis. They have also	○

wall barriers or other measures and comply with Directive 2002/49/EC. Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.	provided their construction site noise and nuisance management policies.	
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (6)	See Section B.20 of this report.	✓

B.11 7.1. Construction of new buildings

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
Constructions of new buildings for which: 1. The Primary Energy Demand (PED), defining the energy performance of the building resulting from the construction, is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. The energy performance is certified using an as built Energy Performance Certificate (EPC). 2. For buildings larger than 5000 m2, upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity, and any	The National Grid Property Portfolio comprises of over 1000 properties in the UK, which includes offices, houses and other buildings relevant for National Grid's business operations. National Grid currently has not included properties in the project list for this activity. If they include a property at a later date, they commit to using this Criteria in their property selection process.	✓

deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative; where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing. 3. For buildings larger than 5000 m2, the life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.		
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See Section B.20 of this report.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
Where installed, except for installations in residential building units, the specified water use for the following water appliances are attested by product datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications laid down in Appendix E to this Annex: (a) wash hand basin taps and kitchen taps have a maximum water flow of 6 litres/min; (b) showers have a maximum water flow of 8 litres/min;	National Grid currently does not have any information regarding these details and has not included properties in the project list for this activity. If they include a property at a later date, they commit to using this Criteria in their property selection process.	✓

(c) WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3,5 litres; (d) urinals use a maximum of 2 litres/bowl/hour. Flushing urinals have a maximum full flush volume of 1 litre. To avoid impact from the construction site, the activity complies with the criteria set out in Appendix B to this Annex.		
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol. Operators limit waste generation in processes related to construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using	National Grid currently does not have any information regarding these details and has not included properties in the project list for this activity. If they include a property at a later date, they commit to using this Criteria in their property selection process.	✓

selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste. Building designs and construction techniques support circularity and in particular demonstrate, with reference to ISO 20887 or other standards for assessing the disassemblability or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantleable to enable reuse and recycling.		
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
Building components and materials used in the construction comply with the criteria set out in Appendix C to this Annex. Building components and materials used in the construction that may come into contact with occupiers emit less than 0,06 mg of formaldehyde per m^3 of material or component upon testing in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006 and less than 0,001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m^3 of material or component, upon testing in accordance with CEN/EN 16516 or ISO 16000-	National Grid currently does not have assets in the project list for this activity. If they include such a project at a later date, they commit to complying with the relevant local regulations in the UK and US. They will include this criteria in their project selection process on a best effort basis.	○

3:2011 or other equivalent standardised test conditions and determination methods. Where the new construction is located on a potentially contaminated site (brownfield site), the site has been subject to an investigation for potential contaminants, for example using standard ISO 18400. Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.		
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA for (6) Also: The new construction is not built on one of the following: (a) arable land and crop land with a moderate to high level of soil fertility and below ground biodiversity as referred to the EU LUCAS survey; (b) greenfield land of recognised high biodiversity value and land that serves as habitat of endangered species (flora and fauna) listed on the European Red List or the IUCN Red List; (c) land matching the definition of forest as set out in national law used in the national greenhouse gas inventory, or where not available, is in accordance with the FAO definition of forest	For Generic details, see Section B.20 of this report. For the specific details, National Grid currently has not included properties in the project list for this activity. If they include a property at a later date, they commit to using this Criteria in their property selection process.	✓

B.12 7.2. Renovation of existing buildings

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
The building renovation complies with the applicable requirements for major renovations. Alternatively, it leads to a reduction of primary energy demand (PED) of at least 30 %	National Grid currently has not included properties in the project list for this activity. If they include a property at a later date, they commit to using this Criteria in their property selection process.	✓
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See Section B.20 of this report.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
Where installed, except for installations in residential building units, the specified water use for the following water appliances are attested by product datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications laid down in Appendix E to this Annex: (a) wash hand basin taps and kitchen taps have a maximum water flow of 6 litres/min; (b) showers have a maximum water flow of 8 litres/min; (c) WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3,5 litres;	National Grid currently does not have any information regarding these details and has not included properties in the project list for this activity. If they include a property at a later date, they commit to using this Criteria in their property selection process.	✓

(d) urinals use a maximum of 2 litres/bowl/hour. Flushing urinals have a maximum full flush volume of 1 litre. To avoid impact from the construction site, the activity complies with the criteria set out in Appendix B to this Annex.		
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol. Operators limit waste generation in processes related to construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for	National Grid currently does not have any information regarding these details and has not included properties in the project list for this activity. If they include a property at a later date, they commit to using this Criteria in their property selection process.	✓

construction and demolition waste. Building designs and construction techniques support circularity and in particular demonstrate, with reference to ISO 20887 or other standards for assessing the disassemblability or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantleable to enable reuse and recycling.		
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
Building components and materials used in the construction comply with the criteria set out in Appendix C to this Annex. Building components and materials used in the construction that may come into contact with occupiers emit less than 0,06 mg of formaldehyde per m^3 of material or component upon testing in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006 and less than 0,001mg of other categories 1A and 1B carcinogenic volatile organic compounds per m^3 of material or component, upon testing in accordance with CEN/EN 16516 or ISO 16000-3:2011 or other equivalent standardised test conditions and determination methods. Where the new construction is located on a potentially contaminated site (brownfield site), the site has been subject	National Grid currently does not have assets in the project list for this activity. If they include such a project at a later date, they commit to complying with the relevant local regulations in the UK and US. They will include this criteria in their project selection process on a best effort basis.	○

to an investigation for potential contaminants, for example using standard ISO 18400. Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.		
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-

B.13 7.3. Installation, maintenance and repair of energy efficiency equipment

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
The activity consists in one of the following individual measures provided that they comply with minimum requirements set for individual components and systems in the applicable national measures implementing Directive 2010/31/EU and, where applicable, are rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and delegated acts adopted under that Regulation: (a) addition of insulation to existing envelope components, such as external walls (including green walls), roofs (including green roofs), lofts, basements and ground floors (including measures to ensure air-tightness, measures to reduce the effects of	National Grid currently does not have assets in the project list for this activity. If they include such a project at a later date, they commit to complying with the relevant local regulations in the UK and US. They will include this criteria in their project selection process on a best effort basis.	○

thermal bridges and scaffolding) and products for the application of the insulation to the building envelope (including mechanical fixings and adhesive); (b) replacement of existing windows with new energy efficient windows; (c) replacement of existing external doors with new energy efficient doors; (d) installation and replacement of energy efficient light sources; (e) installation, replacement, maintenance and repair of heating, ventilation and air-conditioning (HVAC) and water heating systems, including equipment related to district heating services, with highly efficient technologies; (f) installation of low water and energy using kitchen and sanitary water fittings which comply with technical specifications set out in Appendix E to this Annex and, in case of shower solutions, mixer showers, shower outlets and taps, have a max water flow of 6 L/min or less attested by an existing label in the Union market		
2. CLIMATE CHANGE ADAPTATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See Section B.20 of this report.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		

N/A	N/A	-
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
Building components and materials comply with the criteria set out in Appendix C to this Annex. GENERIC CRITERIA FOR DNSH TO POLLUTION PREVENTION AND CONTROL REGARDING USE AND PRESENCE OF CHEMICALS The activity does not lead to the manufacture, placing on the market or use of: (a) substances, whether on their own, in mixtures or in articles, listed in Annexes I or II to Regulation (EU) 2019/1021 of the European Parliament and of the Council, except in the case of substances present as an unintentional trace contaminant; (b) mercury and mercury compounds, their mixtures and mercury-added products as defined in Article 2 of Regulation (EU) 2017/852 of the European Parliament and of the Council; (c) substances, whether on their own, in mixture or in articles, listed in Annexes I or II to Regulation (EC) No 1005/2009 of the European Parliament and of the Council; (d) substances, whether on their own, in mixtures or in an articles, listed in Annex II to Directive 2011/65/EU of the European Parliament and of the Council,	National Grid currently does not have assets in the project list for this activity. If they include such a project at a later date, they commit to complying with the relevant local regulations in the UK and US. They will include this criteria in their project selection process on a best effort basis. They also confirm that their property activities comply with all the relevant Regulations regarding pollutants and chemicals.	○

except where there is full compliance with Article 4(1) of that Directive; (e) substances, whether on their own, in mixtures or in an article, listed in Annex XVII to Regulation (EC) 1907/2006 of the European Parliament and of the Council, except where there is full compliance with the conditions specified in that Annex; (f) substances, whether on their own, in mixtures or in an article, meeting the criteria laid down in Article 57 of Regulation (EC) 1907/2006 and identified in accordance with Article 59(1) of that Regulation, except where their use has been proven to be essential for the society; (g) other substances, whether on their own, in mixtures or in an article, that meet the criteria laid down in Article 57 of Regulation (EC) 1907/2006, except where their use has been proven to be essential for the society. In case of addition of thermal insulation to an existing building envelope, a building survey is carried out in accordance with national law by a competent specialist with training in asbestos surveying. Any stripping of lagging that contains or is likely to contain asbestos, breaking or mechanical drilling or screwing or removal of insulation board, tiles and other asbestos containing materials is carried out by appropriately trained personnel, with health monitoring before, during and		

after the works, in accordance with national law.		
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-

B.14 7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
Installation, maintenance or repair of charging stations for electric vehicles.	Any electric vehicle charging station automatically meets the Mitigation Criteria	✓
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See Section B.20 of this report.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-

B.15 7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		

The activity consists in one of the following individual measures: (a) installation, maintenance and repair of zoned thermostats, smart thermostat systems and sensing equipment, including. motion and day light control; (b) installation, maintenance and repair of building automation and control systems, building energy management systems (BMS), lighting control systems and energy management systems (EMS); (c) installation, maintenance and repair of smart meters for gas, heat, cool and electricity; (d) installation, maintenance and repair of façade and roofing elements with a solar shading or solar control function, including those that support the growing of vegetation.	National Grid currently does not have such projects in the project list for this activity. If they include such a project at a later date, they commit to using this Criteria in their project selection process.	✓
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See Section B.20 of this report.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-

B.16 7.6 Installation, maintenance and repair of renewable energy technologies

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
The activity consists in one of the following individual measures, if installed on-site as technical building systems: (a) installation, maintenance and repair of solar photovoltaic systems and the ancillary technical equipment; (b) installation, maintenance and repair of solar hot water panels and the ancillary technical equipment; (c) installation, maintenance, repair and upgrade of heat pumps contributing to the targets for renewable energy in heat and cool in accordance with Directive (EU) 2018/2001 and the ancillary technical equipment; (d) installation, maintenance and repair of wind turbines and the ancillary technical equipment; (e) installation, maintenance and repair of solar transpired collectors and the ancillary technical equipment;	National Grid currently does not have such projects in the project list for this activity. If they include such a project at a later date, they commit to using this Criteria in their project selection process.	✓

(f) installation, maintenance and repair of thermal or electric energy storage units and the ancillary technical equipment; (g) installation, maintenance and repair of high efficiency micro CHP (combined heat and power) plant; (h) installation, maintenance and repair of heat exchanger/recovery systems.		
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See Section B.20 of this report.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-

B.17 7.7 Acquisition and ownership of buildings

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
1. For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional	National Grid has not included properties in the project list for this activity. If they include a property at a later date, they commit to using this Criteria in their property selection process.	✓

building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings. 2. For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex that are relevant at the time of the acquisition. 3. Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment.		
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See Section B.20 of this report.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		

N/A	N/A	-

B.18 8.2 Data-driven solutions for GHG emissions reductions

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
1. The ICT solutions are predominantly used for the provision of data and analytics enabling GHG emission reductions. 2. Where an alternative solution/technology is already available on the market, the ICT solution demonstrates substantial life-cycle GHG emission savings compared to the best performing alternative solution/technology.	National Grid currently does not have such projects in the project list for this activity. If they include such a project at a later date, they commit to using this Criteria in their project selection process.	✓
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See Section B.20 of this report.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
The equipment used meets the requirements set in accordance with Directive 2009/125/EC for servers and data storage products. The equipment used does not contain the restricted substances listed in Annex II to Directive 2011/65/EU, except where the concentration	National Grid has a waste management plan in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy. The company maintains environmental management certification ISO 14001, and an environmental Sustainability policy which includes • Using resources more efficiently	○

values by weight in homogeneous materials do not exceed those listed in that Annex. A waste management plan is in place and ensures maximal recycling at end of life of electrical and electronic equipment, including through contractual agreements with recycling partners, reflection in financial projections or official project documentation. At its end of life, the equipment undergoes preparation for reuse, recovery or recycling operations, or proper treatment, including the removal of all fluids and a selective treatment in accordance with Annex VII to Directive 2012/19/EU.	• Ensuring prevention of pollution is a key consideration in the design of all of their assets. • Ensuring all applicable procurement decisions include sustainability considerations. • Using resources more efficiently through good design, using sustainable materials. • reducing waste produced by refurbishing existing assets, recovering assets and waste, (where possible) and recycling With regards to the specific EU Directives in the Criteria, National Grid commits to complying with the relevant local regulations in the UK and US. They will include this criteria in their project selection process on a best effort basis.	
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	-

B.19 9.1 Close to market research, development and innovation

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
1. The activity researches, develops or provides innovation for technologies, products or other solutions that are dedicated to one or	National Grid currently does not have assets in the project list for this activity. If they include such a project at a later date, they commit to complying with the relevant local regulations in the UK and	○

more economic activities for which the technical screening criteria have been set out in this Annex. 2. The results of the research, development and innovation enable one or more of those economic activities to meet the respective criteria for substantial contribution to climate change mitigation, while respecting the relevant criteria for doing no significant harm to other environmental objectives. 3. The economic activity aims at bringing to market a solution that is not yet in the market and is expected to have a better performance in terms of life-cycle GHG emissions than best commercially available technologies based on public or market information. The implementation of the technologies, products or other solutions being researched results in overall net GHG emissions reductions over their life cycle. 4. Where the researched, developed or innovated technology, product or other solution already enables an activity or several activities addressed in this Annex to meet the technical screening criteria specified in the applicable Section of this Annex, or where that technology, product or other solution already enables one or more economic activities	US. They will include this criteria in their project selection process on a best effort basis.	

considered as enabling or transitional to meet the requirements specified in points 5 and 6 respectively, the research, development and innovation activity focuses on the development of equally low- or lower-emission technologies, products or other solutions with new significant advantages, such as lower cost. 5. Where a research activity is dedicated to one or more economic activities considered as enabling activities in accordance with Article 10(1), point (i), of Regulation EU 2020/852 for which the technical screening criteria are set out in this Annex, the results of the research deliver innovative technologies, processes or products that allow those enabling activities and the activities that they ultimately enable to substantially reduce their GHG emissions or substantially improve their technological and economic feasibility in order to facilitate their scaling up. 6. Where a research activity is dedicated to one or more economic activities considered as transitional activities in accordance with Article 10(2) of Regulation EU 2020/852 for which the technical screening criteria are set out in this Annex, the technologies, products or other solutions researched enable the target activities to be carried out with substantially lower projected emissions compared to the		

technical screening criteria for substantial contribution to climate change mitigation set out in this Annex. Where a research activity is dedicated to one or more economic activities specified in Sections 3.7, 3.8, 3.9, 3.11, 3.12, 3.13, 3.14 and 3.16 of this Annex, the technologies, products or other solutions either enable the target activities to be carried out with substantially lower GHG emission, which aim at a 30% reduction compared to the relevant EU ETS benchmark or benchmarks or are dedicated to the widely accepted relevant low carbon technologies or processes in these sectors, notably electrification , in particular of heating and cooling, hydrogen as fuel or feedstock, CCS, CCU and biomass as fuel or feedstock, where biomass complies with the relevant requirements set out in Sections 4.8, 4.20, 4.24 in this Annex. 7. Where the researched, developed or innovated technology, product or other solution is at TRL 6 or 7, life-cycle GHG emissions are evaluated in simplified form by the entity carrying out the research. The entity demonstrates one of the following, where applicable: (a) a patent not older than 10 years associated with the technology, product or other solution, where information		

on its GHG emission reduction potential has been provided; (b) a permit obtained from a competent authority for operating the demonstration site associated with the innovative technology, product or other solution for the duration of the demonstration project, where information on its GHG emission reduction potential has been provided. Where the researched, developed or innovated technology, product or other solution is at TRL 8 or higher, life-cycle GHG emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 or ISO 14064-1:2018 and are verified by an independent third party.		
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See Section B.20 of this report.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
Any potential risks to the good status or the good ecological potential of bodies of water, including surface water and groundwater, or to the good environmental status of marine waters from the researched technology, product or other solution are evaluated and addressed.	National Grid confirms that they follow the relevant Environmental Impact Assessment (EIA) regulations and would conduct any necessary prevention or mitigation measures that ensue from those assessments.	✓
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
Any potential risks to the circular economy objectives from the researched	National Grid has a waste management plan in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy.	✓

technology, product or other solution are evaluated and addressed, by considering the types of potential significant harm as set out in Article 17(1), point. (d), of Regulation (EU) 2020/852.	The company maintains environmental management certification ISO 14001, and an environmental Sustainability policy which includes • Using resources more efficiently • Ensuring prevention of pollution is a key consideration in the design of all of their assets. • Ensuring all applicable procurement decisions include sustainability considerations. • using resources more efficiently through good design, using sustainable materials. • reducing waste produced by refurbishing existing assets, recovering assets and waste, (where possible) and recycling	
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
Any potential risks to generate a significant increase in the emissions of pollutants to air, water or land from the researched technology, product or other solution are evaluated and addressed.	National Grid confirms that they follow the relevant Environmental Impact Assessment (EIA) regulations and would conduct any necessary prevention or mitigation measures that ensue from those assessments.	✓
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
Any potential risks to the good condition or resilience of ecosystems or to the conservation status of habitats and species, including those of Union interest, from the researched technology, product or other solution are evaluated and addressed.	National Grid conducts Environmental Impact Assessments (EIA) in line with the local US and UK regulations, and as per their internal policies and standards. They commit to identifying their environmental risks, and developing plans to mitigate them.	✓

B. 20 Generic Criteria for DNSH to Climate Change Adaptation and Ecosystems

EU TAXONOMY TECHNICAL SCREENING CRITERIA	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT

2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR DNSH TO CLIMATE CHANGE ADAPTATION	National Grid considers climate change risks and opportunities in terms of physical and transition risks. The company's third disclosure against the recommendations of the Task Force on Climate-related Financial Disclosures[12]. National Grid is principally focused on the risks from weather-related events in the US, and flooding events (in both the UK and US). They actively update their understanding of potential risks by drawing on the UK Climate Projections, and are investigating other potential risks such as the impact of rising temperatures and widening temperature ranges on the performance and operation of their equipment. The ongoing monitoring and appropriate mitigation of the risks from a changing climate is part of their day-to-day business risk management processes. They have responded to the UK government climate adaption reporting process.	✓
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR DNSH TO PROTECTION AND RESTORATION OF BIODIVERSITY AND ECOSYSTEMS (EIA requirement)	National Grid conducts Environmental Impact Assessments (EIA) in line with the local US and UK regulations, and as per their internal policies and standards. They commit to identifying their environmental risks, and developing plans to mitigate them. * ISO14001 certification: The business will continue to maintain its ISO14001 certification as a minimum standard of demonstration of compliance and continual improvement, with their top management responsible for demonstrating leadership and commitment to the EMS.	✓

[12] National Grid's TCFD is available in the 2019/20 Annual Report on pages 57 to 62

Minimum Social Safeguards

ISS ESG assessed the alignment of the due diligence and selection processes in place with the EU Taxonomy Minimum Social Safeguards. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
OECD Guidelines on Multinational Enterprises UN Guiding Principles on Business and Human Rights ILO Core Labor Conventions	National Grid has group wide policies that ensure the company and its subsidiaries are aligned to the UN Guiding Principles, the 10 Principles of the United Nations Global Compact, the International Labour Organisation (ILO) minimum standards and other voluntary initiatives and protocols. They confirm also that they meet the relevant legislation in the US and UK, regarding labour rights and conditions. Both the US and UK are OECD member countries who are obliged to ensure that companies operating in those countries observe the OECD Guidelines on Multinational Enterprises.	✓

DISCLAIMER

1. Validity of the SPO: As long as the Green Finance Framework remains unchanged.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: Methodology

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which National Grid's Financing Instruments contributes to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

Methodology – Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, eg. known and already classified country standards, the indicator is assessed with a D-. In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:
(1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
(2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
(3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.
Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

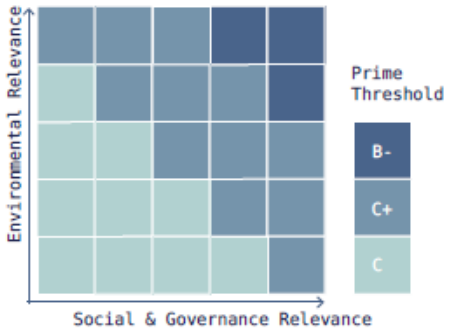
As a stress-test of corporate disclosure, Norm-Based Research assesses the following:
- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:
A+: the company shows excellent performance.
D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).
Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.
0% - < 20%: very low
20% - < 40%: low
40% - < 60%: medium
60% - < 80%: high
80% - 100%: very high
For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 3: Quality management processes

SCOPE

National Grid plc commissioned ISS ESG to compile a Green Financing Instruments SPO. The Second Party Opinion process includes verifying whether the Green Financing Framework aligns with the ICMA Green Bond Principles, LMA Green Loan Principles, and to assess the sustainability credentials of its Financing Instruments against the EU Taxonomy Delegated Act, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles
- LMA Green Loan Principles
- EU Taxonomy Delegated Act, June 2021

ISSUER'S RESPONSIBILITY

National Grid plc's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the asset level

ISS ESG's VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Financing Instruments to be issued by National Grid plc based on ISS ESG methodology and in line with the ICMA Green Bond Principles, LMA Green Loan Principles.

The engagement with National Grid plc took place in May – July 2021.

ISS ESG's BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/

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