

# ESG and Our People Reporting Methodology

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## About this document

This document explains the definitions, scope and calculation methodology for preparing key non-financial performance metrics and disclosures reported within the Environmental, Social and Governance (ESG) section and Our People section of the 2024/25 NESO Annual Report and Accounts (ARA) available on our website:

- NESO 2024/25 Annual Report and Accounts [here](#).

## Scope of Reporting

The ESG section of our annual report covers all parts of our organisation. As our organisation reports in line with the financial year (1 April – 31 March) our metrics have been calculated on this basis, unless stated otherwise. The report has been compiled based on the Companies Act 2006, Equality Act 2010 and the Public Sector Equality Duty.

We follow an operational control approach to determine the boundary of our carbon footprint. This means that we include emissions in our calculations from operations where we have full authority to introduce and implement operating policies. On this basis, we include emissions from our three operational centres. This means that our reporting includes our leased administrative office at Warwick, and our two owned operational sites that house our control rooms, C1 and C2.

Two additional leased offices have been excluded from our FY25 reporting as they are considered temporary sites and are not under our operational control. These sites were excluded in accordance with SECR guidance stating that emissions from operations should only be reported where the company has the authority to introduce and implement operating policies.

We will include emissions from newly acquired assets in our reporting from the date of acquisition and emissions from disposed assets will be excluded from the date of disposal. This approach ensures our carbon footprint reflects our organisational boundary in line with the principles of operational control and provides a consistent and transparent approach to our emissions reporting.

Our operational control approach is consistent with the guidance set out in the Streamlined Energy and Carbon Reporting (SECR) framework.

## Assurance

All metrics reported within our ARA are subject to our internal quality control review and approval processes. Further to this, we have engaged PricewaterhouseCoopers LLP (PwC) to provide independent limited assurance over five of our ESG metrics:

1. Scope 1 emissions – Building heat & Business vehicles (Tonnes CO2e)
2. Scope 2 (location based) emissions – Electricity (Tonnes CO2e)
3. Scope 3 emissions – Purchased services, Flights & other travel (Tonnes CO2e)\*

- 4. Total NESO employee miles travelled by air (Miles)
- 5. NESO contribution to UK consumer electricity bills (£)

Their Assurance Opinion for our 2024/25 ESG metrics can be found on our website [here](#).

\*Scope 3 emissions from waste are included in our reported Scope 3 emissions metric, waste was not assured by PwC.

## Restatement

At times, it may be necessary to restate historic ESG data to ensure our reporting remains accurate. Restatement may be required due to changes to our organisational structure, improvements in data accuracy, changes to reporting requirements, or changes in our operations, such as asset disposal or acquisition.

To ensure our emissions calculations are accurate and reflective of the realities of our business, we will restate our emissions calculations if the cumulative effect of these changes is material. We will clearly outline any restatements of data to provide transparency in our reporting.

## Environment, Social Governance

### Environment

#### Total energy consumption (gas, electricity & transport)

##### Metric:

NESO is required to comply with the UK Government's policy on Streamlined Energy & Carbon Reporting (SECR), including disclosing UK energy consumption.

##### Definitions:

Energy consumption is the amount of energy consumed by NESO. It is reported in kilowatt-hours (kWh).

##### Scope:

Total energy consumption is comprised of:

- The annual quantity of energy consumed in the UK resulting from the purchase of electricity by NESO, including for the purposes of transport;
- The annual quantity of energy consumed from combustion of gas; and
- The consumption of fuel for the purposes of transport for business use.

Gas refers to natural gas used for building heat.

Electricity refers to electricity purchased across the three sites in scope, including renewable energy generation (solar PV) at our Warwick office, and electricity for EV company cars.

Transport refers to company cars, personal cars, and hire cars. All other forms of transport applicable to NESO are not included in total energy consumption, as per SECR guidance.

##### Calculation methodology:

For reporting in kilowatt-hours, a SECR specific UK Government DEFRA 2024 GHG Conversion Factor is applied to convert the transport mileage data to kWh. For EV's a SECR UK electricity for EVs conversion factor is applied against the milage. Gas and electricity data is supplied in kWh; no additional conversion is required. Total energy consumption is calculated by summing all components.

### Total Gross Emissions

##### Metric:

NESO is required to comply with the UK Government's policy on Streamlined Energy & Carbon Reporting (SECR), including disclosing associated greenhouse gas emissions (GHG) from UK energy use.

### Definitions:

Energy consumption is the amount of energy consumed by NESO. The total gross emissions associated to energy consumed is reported in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e).

### Scope:

Total gross emissions from UK energy use are comprised of:

- The annual quantity of energy consumed in the UK resulting from the purchase of electricity by NESO, including for the purposes of transport;
- The annual quantity of energy consumed from combustion of gas; and
- The consumption of fuel for the purposes of transport for business use.

Gas refers to natural gas used for building heat.

Electricity refers to electricity purchased across the three sites in scope, including renewable energy generation (solar PV) at our Warwick office, and electricity for EV company cars.

Transport refers to company cars, personal cars, and hire cars. All other forms of transport applicable to NESO are not included, as per SECR guidance.

### Calculation methodology:

The following calculations are used to convert units of raw data to tCO<sub>2</sub>e.

- Volume of gas (kWh) is multiplied by UK Government DEFRA 2024 GHG Conversion Factors.
- Volume of purchased electricity consumed (kWh) is multiplied by UK Government DEFRA 2024 GHG Conversion Factors.
- Miles travelled for EVs are multiplied by UK Government DEFRA 2024 GHG Conversion factors 'UK electricity for EVs'.
- Miles travelled for transport across company cars, personal cars and hire cars is multiplied by UK Government DEFRA 2024 GHG Conversion Factors. The conversion factors are applied by both fuel type and engine size.

Total gross emissions from total gas, electricity, and transport energy consumption are summed in tCO<sub>2</sub>e. For more detailed calculation methodologies, please see *Table 1: Calculation methodology for Scope 1 and 2 emissions* on page 9-11.

## Emissions intensity

### Metric:

As per SECR guidance, NESO is required to report at least one intensity metric which expresses the business' annual emissions in relation to a quantifiable factor. The intensity metric we have chosen is tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) per full-time equivalent (FTE).

### Definitions:

FTE refers to full-time employees, temporary employees, agency staff and non-executive board members. For FY25 this figure is 2,430 FTE.

Scope:

Total gross emissions defined on pages 6-7 is used. For more information on what NESO includes within our emissions categories, please see *Table 1: Calculation methodology for Scope 1 and 2 emissions* on pages 9-11 and *Table 2: Scope of NESO's Scope 3 emission sources by category* on pages 11-13.

Calculation methodology:

Total Gross emissions (tCO<sub>2</sub>e) / FTE = emissions intensity (tCO<sub>2</sub>e per FTE)

### Scope 1 and scope 2 greenhouse gas emissions

NESO is required to report total annual Greenhouse Gas (GHG) emissions. This is a legal requirement under The Companies Act 2006.

NESO's GHG emissions are reported quarterly and aggregated at the year-end for the purpose of reporting and analysing opportunities to reduce future emissions.

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

Metric:

We report our GHG emissions per scope 1 & 2 separately. The data we report is:

- Scope 1 emissions – Building heat & Business vehicles (tCO<sub>2</sub>e)
- Scope 2 (location based) emissions – Electricity (location-based) (tCO<sub>2</sub>e)

Definitions:

Scope 1 emissions are direct emissions from the operational activities of NESO. This includes emissions from natural gas, diesel, and fuel used in company owned cars.

Scope 2 emissions are indirect emissions from the energy purchased and consumed by NESO and is reported using the location-based method.

Scope:

NESO includes all the relevant Kyoto protocol gases in its Scope 1 and 2 calculations. Calculations are undertaken using UK Government DEFRA 2024 conversion factors, which includes all Kyoto protocol gases.

Calculation methodology:

Annual scope 1 and 2 emissions data from our three operational centres is summed to get the organisation level total in tCO<sub>2</sub>e.

Detailed calculation methodologies are set out in Table 1 below.

*Table 1: Calculation methodology for scope 1 and 2 emissions*

Emissions scope	Emissions sources	Calculation methodology
Scope 1	<p>Emissions from energy consumption at our facilities (gas &amp; diesel)</p>	<p>Natural gas: For our Warwick office, National Grid Plc manage our utilities and provide gas consumption reports apportioned using an allocation factor. This proportion is calculated annually by National Grid UK. For the year 2024/25 the allocation factor has been calculated as 24.2%. The allocation factor drives the resulting proportion of our Warwick offices gas consumption that NESO is responsible for in the given year. The data is consolidated from meter readings and invoices where possible. Volume of gas consumed is supplied in kilowatt-hours.</p> <p><i>Calculation methodology:</i> Volume of gas (kWh) x UK Government DEFRA 2024 GHG Conversion Factors</p> <p>Diesel: For FY25 reporting, NESO has included diesel consumption within scope 1 emissions (this was not included in FY24). Diesel usage is provided as an estimate by a third-party supplier for C1 &amp; C2 sites. The data is consolidated from meter readings. The volume of diesel consumed is supplied in litres.</p> <p><i>Calculation methodology:</i> Volume of diesel (litres) x UK Government DEFRA 2024 GHG Conversion Factors</p>
Emissions from Business vehicles		<p>Miles travelled by employees in company cars are captured through our internal expenses recording systems. Contractors are excluded. Emissions from petrol and diesel fuel is captured in Scope 1. Emissions from electric for electric vehicles is captured in scope 2 per guidance in UK Government DEFRA 2024 GHG Conversion Factors and SECR.</p> <p><i>Calculation methodology:</i> To calculate the most accurate figure for mileage for business travel, NESO includes all mileage claims for which the transaction date occurred during the relevant financial year (FY25). Given that transactions may not be approved in the financial year, NESO pulls data for the relevant financial year (FY25) and the first quarter of the following year (Q1 FY26). Based on this method, expenses are included which are approved within the first quarter of the following year (Q1 FY26) and relate to transactions which occurred in the relevant financial year (FY25). If expenses relating to transactions</p>

which occurred during the relevant financial year are not approved until after Q1 in the following year, they may be omitted from the calculation. On this basis, we will scan data in the following year to identify any missing transactions from our previous calculations and restate these calculations where the change is material, in line with our restatement approach.

Miles travelled x UK Government DEFRA 2024 GHG Conversion Factors. The conversion factors are applied by both fuel type and engine size.

Scope 2 (location based)	Emissions from purchased electricity consumption at our facilities	<p>SMS Plc and National Grid Plc manage our utilities and provide electricity consumption reports across our three operational centres in scope. The data is consolidated from meter readings and invoices where possible. NESO receives separate reports detailing Electric Vehicle Charging Point (EVCP) usage, which has been deducted from our scope 2 reporting due to the unavailability of data for NESO-only business use. We capture emissions from company cars which are EVs within scope 2 as EV company car milage emissions are considered most appropriate. This is based on SECR guidance which stipulates it is mandatory to report grid-sourced electricity, gas and electricity consumption relating to transport in scope 2.</p> <p>Volume of electricity consumed is supplied in kilowatt-hours.</p> <p>NESO's scope 2 emissions for our Warwick office only are provided by National Grid Plc and are apportioned using an allocation factor. This proportion is calculated annually by National Grid UK Finance. For the year 2024/25 the allocation factor has been calculated as 24.2%. The allocation factor drives the resulting proportion of our Warwick offices electricity consumption that NESO is responsible for in the given year.</p> <p>Calculation methodology: Volume of purchased electricity consumed (kWh) x UK Government DEFRA 2024 GHG Conversion Factors for Company Reporting.</p>
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Miles driven for EVs x UK Government DEFRA 2024 GHG  
Conversion Factors for UK electricity for EVs.

## Scope 3 greenhouse gas emissions

Our Scope 3 emissions are calculated and reported in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (Revised) and the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Metric: Scope 3 – Purchased services, flights, other travel and waste (tCO<sub>2</sub>e)

### Definitions:

Scope 3 emissions are defined as indirect emissions from our operations or activities which occur within our value chain. We include Scope 3 emissions across three categories as defined by the GHG Protocol (see Table 2 below).

### Scope:

NESO applies the operational control principle to determine operations that are in scope for emissions reporting.

The scope 3 emissions categories we collate are:

- Cat. 1 (Purchased Goods and Services) emissions (tCO<sub>2</sub>e) \*\*
- Cat. 5 (Waste Generated in Operations) emissions (tCO<sub>2</sub>e) \*
- Cat. 6 (Business Travel) emissions (tCO<sub>2</sub>e)

\* For PwC's limited assurance for FY25, the GHG Protocol Cat 5: waste generated in operations was not included.

\*\* Scope 3 emissions from Cat. 1 made up >99% of our total scope 3 emissions in FY25.

### Calculation methodology:

Total Scope 3 emissions are a sum of Cat. 1, 5, and 6. Detailed calculation methodologies are set out in Table 2 below.

*Table 2: Calculation methodology for scope 3 emissions*

Scope 3 emission category	Scope – emissions sources
Cat. 1 (purchased goods and services)	Includes all products and services purchased by NESO. Intercompany recharges are excluded because there is no product, good nor service exchanged. The recharges we exclude refer to billing arrangements/ TNUOS (Transmission Network Use of Services) agreements we had both historically with National Grid and latterly with Transmission Owners (TO's).

Purchased goods & services data is captured through our internal billing system and invoices are grouped by commodity type e.g. Office Stationery. Purchased goods & services is supplied in spend (£). Using GHG Protocol guidance, we apply the spend-based method for calculating tCO<sub>2</sub>e for all products and services purchased. Emissions are calculated by applying category-specific emissions factors by SIC code aligned to commodity type to the amount of expenditure we have incurred in each of these categories.

Calculation methodology: Purchased goods & services spend (£) x UK Government DEFRA 2022 GHG supply chain emission factor for product category by SIC Code.

Cat. 5 (waste generated in operations)

Includes all waste generation from our operations, including office waste and operational waste. Waste data is supplied by our waste collection service providers and is supplied in tonnes per waste stream e.g. dry mixed recycling.

Calculation methodology: Volume of waste generated x UK Government DEFRA 2024 GHG Conversion Factors. Conversion factors are applied per waste stream.

Cat. 6 (business travel)

Includes employee business travel not captured in scope 1 i.e. travel not in NESO-owned vehicles. Contractors are excluded. Business travel not recorded in our systems (e.g. not expensed) is not included, however policies are in place to minimise this. Business travel includes the following: personal cars, hire cars, air travel, and rail travel.

Personal car mileage refers to road travel incurred as a result of employees attending a site other than their normal base location, as stipulated in our travel and expenses policy. Miles travelled by employees in personal cars are captured through our internal expenses recording systems.

Hire cars can be used by NESO employees when required for short term/ad hoc business, typically business trip durations of less than a week and for business trips over 200 miles. Hire car mileage reports are provided by Enterprise.

Air and rail mileage reports are provided by our third-party travel provider (Clarity) and are recorded on our internal travel booking system.

Calculation methodology: Miles travelled x UK Government DEFRA 2024 GHG Conversion Factors. For personal cars, conversion factors are applied by both fuel type and engine size. For hire cars, an average car conversion factor has been applied as data is received uncategorised.

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For air and rail travel, conversion factors are applied by travel category and class (e.g. domestic, standard class).

To calculate the most accurate figure for mileage for business travel from personal cars, NESO includes all mileage claims for which the transaction date occurred during the relevant financial year (FY25). Given that transactions may not be approved in the financial year, NESO pulls data for the relevant financial year (FY25) and the first quarter of the following year (Q1 FY26). Based on this method, expenses are included which are approved within the first quarter of the following year (Q1 FY26) and relate to transactions which occurred in the relevant financial year (FY25). If expenses relating to transactions which occurred during the relevant financial year are not approved until after Q1 in the following year, they may be omitted from the calculation. On this basis, we will scan data in the following year to identify any missing transactions from our previous calculations and restate these calculations where the change is material, in line with our restatement approach.

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## Total employee miles travelled by air

### Metric:

Total air miles travelled on an annual basis by NESO employees reported in miles.

### Definitions:

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

### Scope:

In scope are air miles from all third-party airlines travelled by NESO employees. Air miles travelled by contractors, agency staff and consultants are not included.

The air miles travelled on third party planes are captured through our UK third party travel provider (Clarity). It is NESO policy that all employees must book business trips through our approved travel providers only.

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

### Calculation methodology:

Total air miles travelled are summed over the reporting period.

## Total employee miles travelled by air per person

### Metric:

Total air miles travelled on an annual basis per NESO employee. It is reported in miles per person.

### Definitions:

Air miles refer to the distance travelled via aeroplane by NESO employees for business activities only. NESO employee refers to all permanent employees within NESO's total workforce as air miles are captured only for permanent employees. For FY25 this figure is 2,070.

### Scope:

As above. Included within NESO's total workforce are permanent NESO employees, regardless of paygrade and length of service. Included are those on parental leave or on short/ long term leave of absence, part time workers, graduates, and interns. Excluded are temporary employees, contingent workers, managed service providers and non-executive board members.

### Calculation methodology:

Total air miles / total NESO workforce = air miles travelled per person

## Percentage of electric management vehicles (management company car fleet)

### Metric:

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

### Definitions:

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

### Scope:

All vehicles owned or leased by NESO are included in this metric. The total light-duty NESO management fleet size and the number that are EVs is continuously tracked in our fleet management systems.

### Calculation methodology:

To calculate the percentage of NESO's management vehicle fleet that are EVs, the total management fleet number and the total number of management EVs are aggregated. The percentage that are EVs is then calculated using the following calculation: (total number of management EVs / total number of management vehicles) × 100 = % of fleet which are EVs

## Total office waste

### Metrics:

- Total office waste: Office waste generated and disposed of from our three operational centres reported in tonnes.
- Office waste per person: Total office waste is calculated per NESO full-time equivalents (FTE) as of 31<sup>st</sup> March 2025.
- Waste diverted from landfill: Office waste generated and disposed of from our three operational centres that is not sent to landfill reported in tonnes.

Definitions:

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

Scope:

Only waste generated and disposed of from our operational centres are included in this metric.

NESO continuously monitors data through a combination of internal waste reporting systems and regular reporting from third-party service providers that manage office waste disposal on our behalf.

Waste diverted from landfill refers to all waste which is not sent to landfill and is disposed of via other waste disposal methods. For FY25 NESO reports on the following waste streams: general waste, dry mixed recycling, organic, glass, metal, wood, hazardous waste, confidential paper, IT (mixed WEEE – waste, electrical and electronic equipment), used catering oil, and vapes.

FTE refers to full-time employees, temporary employees, agency staff and non-executive board members. For FY25 this figure is 2,430.

Calculation methodology:

- Total office waste: All waste for the respective reporting period is summed to calculate total office waste in tonnes.
- Office waste per person: Total office waste / FTE = office waste per person (tonnes per FTE)
- Waste diverted from landfill: Total office waste data is aggregated by disposal process to identify the total volume of waste that is not sent to landfill upon disposal. Percentage of office waste not sent to landfill can be calculated using the following calculation: (total office waste not sent to landfill / total office waste) × 100

## Social

### Community, Customers and Consumers

NESO contribution to UK consumer electricity bills

Metric:

NESO element of the average domestic UK consumer bill.

Definitions:

The UK average domestic bill is the average electric bill for non-business customers in the UK. The NESO element is the portion of the average UK domestic bill attributable to NESOs internal operating costs applicable to electricity activities.

Scope:

This metric includes bill impact data for NESO's internal costs, including people, non-people and capital expenditure costs. It also includes an annualised regulatory asset value (RAV) cost, which is recoverable from consumers to support payment of future dividends to our shareholder. It does not include those costs that NESO incurs in balancing the electricity system as these are pass-through costs managed on behalf of industry, rather than an internal NESO cost related to operation of the NESO organisation. It also excludes operating costs incurred in respect of other activities, including gas planning.

NESO does not directly charge consumers; our internal costs are recovered via balancing services use of system (BSUoS) charges which are levied on electricity demand suppliers. This metric therefore approximates the NESO charges proportion of electricity supplier consumer bills.

Calculation methodology:

NESO internal revenue (total allowed recoverable internal cost) is identified from the NESO financial model, as published on our website. This is divided by the total annual demand, also published by NESO, to estimate an average tariff charged by NESO. That charge to customers is scaled up by the average loss adjustment factor as published by Ofgem to account for losses and then multiplied by the average domestic demand, also published by Ofgem, to determine an average cost to UK households.

## No. of people on an Early Careers learning & development scheme

Metric:

The number of people on an Early Careers learning & development scheme.

Definitions:

The term Early Careers refers to those who are at the beginning or early stages of their career in the energy sector, i.e. anyone with 0-5 years of professional experience and is not specific to a particular generation.

Our programmes are designed to build and develop current and future skills we require to deliver on our ambitions as NESO.

Our programmes include the Graduate Programme, Industrial Placement Programme, Apprenticeship Scheme (Power System Engineering), Power Academy Summer Internship, and EmployAbility Supported Internship.

Scope:

This metric includes all colleagues who are on a NESO Early Careers programme as outlined above within the time period agreed.

Schemes vary in length and the metric reflects at any time how many people had access to one of the programmes in which NESO supported their learning and development.

#### Calculation methodology:

The following data shows how many colleagues NESO were able to support during the parameters. The data is summed to provide the total number of young people provided with access to skills development.

- 2023 Graduates = 27 (September 2023 until March 28<sup>th</sup> 2025)
- 2024 Graduates = 16 (September 2024 - ongoing)
- 2024 Industrial placements = 8 (9th July 2024 - July 2025)
- 2023 Industrial placements = 12 (July 2023 - June 2024)
- 2024 Power Academy Programme = 8 (July 2024-August 2024)
- 2024 Apprentices = 21 (September 2024 - ongoing)
- 2024 EmployAbility Interns = 8 (September 2024 - ongoing)
- 2022 Apprentices = 11 (September 2022 until March 28th 2025)

## **Economy**

### Supplier payments paid to contractual terms

#### Metric:

% of supplier payments made within the contractual term.

#### Definitions:

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

#### Scope:

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

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

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

This metric is reported in line with the financial year.

#### Calculation methodology:

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

## Corporation tax (recovered) / paid

### Metric:

Value of corporation tax paid either directly to HMRC or to National Grid plc for settlement of intercompany corporation tax balances.

### Definitions:

Corporation tax is the assessment of tax payable, or receivable based on the Company's profit or loss earned in the year that is subject to the tax.

### Scope:

Only amounts paid in cash either directly or indirectly to HMRC (if via intercompany arrangements whilst part of the National Grid Group) are included. The calculation of tax liabilities or assets not paid in cash during the financial year are excluded.

### Calculation methodology:

Total payments to HMRC or National Grid for corporation tax are summed over the reporting period.

## Social Security Costs

### Metric:

Value of employer's national insurance contributions and other payroll taxes recorded as a charge for the year by the company.

### Definitions:

Value of employer's national insurance contributions payable to HMRC as a result of a person's employment and additional amount of tax payable by the company for employment benefits provided to employees without tax deducted at source and the company agrees to pay the tax on behalf of the employees.

### Scope:

All employers' national insurance contributions as calculated by payroll and additional estimates of amounts of employers' national insurance on bonuses accrued at the end of the financial year. Estimates of additional employment taxes for P11D and PSA's (agreements with HMRC for the Company to pay tax on behalf of the employees for certain employment benefits) as charged in the financial year's accounts.

### Calculation methodology:

Total National Insurance costs charged in the financial year.

## VAT collected

### Metric:

Net VAT collected during the financial year and payable to or receivable from HMRC.

### Definitions:

The difference in the output VAT chargeable to customers of Vatable supplies less the input VAT charged to the company on Vatable purchases over the financial year.

### Scope:

All amounts included in the quarterly VAT returns submitted to HMRC relating to the financial year.

### Calculation methodology:

The sum of the amounts reported on the four quarterly VAT returns relating to the financial year as submitted to HMRC and subsequently settled in cash.

## Innovation spend

### Metric:

Annual spending into innovation.

### Definitions:

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

### Scope:

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

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

This metric is reported in line with the financial year.

### Calculation methodology:

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

## Service Quality – number of voltage and frequency excursions from E7 statutory limits

### Metric:

Total number of incidents of frequency and voltage outside the approved E7 statutory range in the UK for the Great Britain transmission network:

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

### Definitions:

Service quality incidents are defined as events in which frequency or voltage excursions occur outside of E7 statutory limits:

- 49.5 hertz to 50.5 hertz for over 60 seconds
- Variations of  $\pm 10\%$  of nominal voltage, for levels of 132kV and above. For voltages, less than 132kV a variation not exceeding  $\pm 6\%$  of the nominal voltage is permissible.
- The Grid Code reflects these limits and imposes a further constraint for the 400kV system in that voltages can only exceed  $+5\%$  for a maximum of 15 minutes.

### Scope:

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

### Calculation methodology:

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

Number of excursions outside of E7 statutory limits in frequency or voltage throughout the agreed period.

## Governance

### Employees completed ethics training and compliance statement

### Metric:

Percentage of total NESO workforce population who have completed our ethics training in FY25.

### Definitions:

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

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

Scope:

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

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

The percentage of employees who have completed ethics training and compliance statement is reported as at the relevant financial year end date, 31<sup>st</sup> March.

Calculation methodology:

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

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

## Our People

### NESO Listens survey employee engagement score

#### Metric:

Engagement index score, as measured by the annual Employee Engagement Survey, "NESO:Listens".

#### Definitions:

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

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

#### Scope:

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

#### Calculation methodology:

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

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

## Diversity, Equity, Inclusion and Belonging (DEIB)

### Ethnic & gender diversity of Executive leadership and workforce

#### Metric:

Percentage of ethnic or gender diversity within our total workforce and Executive leadership group. We report on the following metrics:

- Ethnic diversity of Executive leadership (%)
- Gender diversity of Executive leadership (% female)
- Ethnic diversity of workforce (%)
- Gender diversity of workforce (% female)

Definitions:

Ethnic diversity is defined as employees who are part of an ethnic background group.

Gender diversity is defined as employees who are female (legal/ biological sex).

If an employee has identified themselves as both female and part of an ethnic background group, they will only be counted once in the calculation.

Our legal sex data relies on our employees' classification of their own legal sex as male or female. This is a mandatory, binary field in our HR system and therefore NESO has a legal sex disclosure rate of 100%. All other diversity data relies on employee self-disclosure within our HR system. For FY25, around 93-94% of employees declared ethnicity which poses a very good representation of the organisation.

Table 3 below shows the groups that are defined as 'diverse' and 'non-diverse' in our business.

*Table 3: NESO diverse and non-diverse employees*

<b>Legal Sex</b>	
Male	non-diverse
Female	diverse
<b>Ethnicity</b>	
Any other	diverse
Asian – Bangladeshi	diverse
Asian – Indian	diverse
Asian – Pakistani	diverse
Asian – any other background	diverse
Black – African	diverse
Black – Caribbean	diverse
Black – any other background	diverse
Chinese	diverse
Gypsy or Irish Traveller	diverse
Mixed – white and Black African	diverse
Mixed – white and Black Caribbean	diverse
Mixed – white and Asian	diverse
Mixed – any other mixed background	diverse
White – any other white background	non-diverse
White British/ English/ Scottish/ Welsh/ Northern Irish	non-diverse
White Irish	non-diverse

Total workforce refers to all permanent NESO employees, regardless of paygrade and length of service. Included are those on parental leave or on short/ long term leave of absence, part time workers, graduates, and interns. Excluded are temporary employees, contingent workers, managed service providers and non-executive board members.

Executive leadership group refers to our Executive Committee.

Scope:

Includes the total NESO workforce across all parts of the organisation.

Diverse employees are all those that have self-declared their Ethnicity group and identifying as a group that is diverse (see Table 3 above).

Diversity metrics are measured on a rolling 12-month period.

Calculation methodology:

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

Percentage of diversity (race/sex) in workforce = diverse (race/sex) individuals in workforce / total NESO workforce

Percentage of diversity (race/sex) in Executive leadership = diverse (race/sex) individuals in Executive leadership / total NESO Executive leadership

## Health, Safety & Wellbeing

### Lost time injury frequency rate

Metric:

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

Definitions:

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

Scope:

NESO Employees, contractors, and agency staff are in scope.

Lost time injury figures are recorded, tracked, and frequently reported via the NESO Incident Reporting and Information System. This metric is reported in line with the financial year by summing all data within the period.

Calculation methodology:

(Number of lost time injuries in rolling 12-month period / number of hours worked in rolling 12-month period) x 100,000