NATIONAL GRID ELECTRICITY GROUP

PSR: 19002003

Annual Report & Financial Statements

for the year ended 31 March **2026**

Contents 1

MESSAGE FROM THE CHAIR OF THE GROUP TRUSTEE

I am pleased to introduce the National Grid Electricity Group (the Group) of the Electricity Supply Pension Scheme (the Scheme) Annual Report and Financial Statements for the year ended 31 March 2026 (Scheme Year).

2025 Actuarial Valuation

Every three years, the Group Trustee is required to undertake a full actuarial valuation of the liabilities of the Group. This involves an in-depth analysis of the Group's funding, its investment strategy and how these are expected to evolve in the future.

As with previous valuations, the Group Trustee has worked constructively with National Grid Electricity Transmission plc (the Company) to agree a prudent but fair funding target for the Group, which balances security for members with affordability for the Company.

I am pleased to announce that the Group has made excellent progress against its funding target since the last valuation, with the Group now showing a surplus of £136m, compared to a deficit of £60m at the previous valuation, an improvement of £196m.

The Company and the Group Trustee have agreed a revised contribution level for future benefits being earned by active members, and no deficit contributions are required. Additional protection arrangements have also been agreed with the Company.

The Group Trustee is pleased with the outcome of the valuation, which we view as being a fair agreement, taking into account the interests of all parties. We also believe that the Group has strengthened its funding position and remains well-protected against any potential deterioration in the strength of the Company's covenant.

Members will be informed of the valuation results via an edition of Valuation Update and announcements on the Group's website, www.ngeg.pensions.nationalgrid.com.

2026 Election

The 2026 Group Trustee election campaign was successfully completed during the Scheme Year, as a result of the tenures of Elected Trustees Graham Commons, Philip Johnson and John Ong coming to an end in March 2026.

Graham and Philip stood for re-election, whereas John decided to step down from the Board at the end of his term.

Contributing and Pensioner members were eligible to stand for election, and a communications campaign was carried out with the aim of encouraging member engagement and interest in the election process and in pension scheme matters.

I would like to extend my sincere thanks to all those who took the time to put themselves forward, together with those members who took part in the voting. I can report that collectively 24% of the Contributing and Pensioner membership voted online and by post in the election.

Graham Commons and Philip Johnson were both directly re-elected to the Group Trustee Board, and Ian Braine was selected from the remaining candidates by a Selection Board comprising the four Elected Trustees who were not involved in the election process. All three successful candidates were appointed with effect from 1 April 2026 and will be in post for a maximum term of five years.

John Ong, an Elected Trustee for 10 years (and previously an Appointed Trustee for 3 years), stepped down from the Board at the end of his tenure on 31 March 2026. As well as serving on the Board, John was Chair of the Member Experience & Engagement Committee and a former member of the Governance Committee.

I would like to take this opportunity to thank John for his service and valuable contribution to the work of the Board and its Committees and wish him the very best for the future.

I would also like to congratulate Graham and Philip on their re-appointments and welcome Ian to the Board. Ian was previously a Panel Member, having joined the Panel in 2023. All three Trustee Directors have extensive knowledge of pension arrangements and skillsets which complement the other members of the Group Trustee Board.

Further details were reported in the Summer 2026 edition of *Pensions brief* and were also posted on the Group website.

Other Trustee Changes

Kylee Dickie, an Appointed Trustee since 1 June 2022, stepped down from the Board on 8 June 2026. Kylee was replaced by Adele Hutchings, who was appointed by the Company with effect from 9 June 2026. Adele is employed by National Grid as CFO of Regulatory Finance, and I would like to welcome her to the Board. I would also like to thank Kylee for her contribution to the Group and wish her all the best for the future.

Further information about the Group Trustee can be found on page 7 of this report.

Panel Members

Members of the Panel receive training and provide support whilst gaining experience of the Group Trustee Board's work. The members of the Panel are not Trustees and do not vote on Board matters. The Panel also provides a possible source of succession, should an Elected Trustee step down from the Board.

During the Scheme Year, the following individuals served as Panel Members:

- Ian Braine
- Yogesh Nakarja

I would like to take this opportunity to thank the Panel Members for their commitment and hard work over the past year and the significant contribution they have made in their individual capacities to the work of the Group Trustee.

Following the results of the 2026 Election, the Panel has been disbanded.

Further information on the Panel Members can be found on page 7 of this report.

Long-Term Funding Objective

Ensuring that the Group's assets are safeguarded and that the long-term security of members' benefits and pensions is maintained forms part of the Group's overarching objectives and remains at the forefront of the Group Trustee's business plan and long-term funding objective. During the year, the Group Trustee finalised the 2025 Actuarial Valuation, providing an updated assessment of the Group's funding position and associated risks, which confirmed that the Group is in a surplus position. The Group Trustee has also been considering its investment strategy and the controls in place for mitigating the key risks associated with the Group's funding position.

Investment Strategy & Risk Management

The year was marked by continued volatility in markets, particularly over Q1 2026 following conflict in the Middle East. None of the Group's investments have direct exposure to the conflict. The Group has been well placed to weather the volatility, given the governance framework in place, the high level of interest rate and inflation protection and previous risk reduction measures undertaken by the Group Trustee.

During the year, the Group completed the bulk transfer of assets to NESO (National Energy System Operator), with all assets successfully transferred. More information on this can be found on page 19.

Looking ahead, the Group Trustee will continue to explore options to further de-risk the investment strategy, taking into account the outcomes of the 2025 Actuarial Valuation (more information on the Valuation can be found on pages 23 and 24). This includes considering how best to deploy capital returned and income generated from the Group's illiquid growth investments (including property, private credit and infrastructure).

The Group's LDI portfolio continues to operate with low levels of leverage and strong collateral coverage. As a result, no liquidity issues or forced sales of growth assets were required in order to maintain interest rate and inflation protection during the year.

The Group's anticipated date of significant maturity as defined by the Funding Code is 28 February 2042.

Funding Level & Investment Performance

Over the year to 31 March 2026, the Group's assets achieved a positive return of 1.6%, in line with benchmark performance of 1.6%. Performance over the year was driven largely by movements in interest rates and inflation expectations.

The LDI portfolio performed as expected and fell in value due to rising gilt yields, but the value placed on the liabilities will also have fallen. The Group's growth assets contributed positively over the year. In particular, infrastructure and private credit allocations continued to generate stable income, while ongoing capital distributions from illiquid managers supported overall liquidity. Following the completion of the bulk annuity transaction and the NESO transfer, the funding position is now more resilient, with reduced exposure to longevity, interest rate and inflation risks.

National Energy System Operator

The National Grid Electricity System Operator separated from National Grid plc on 1 October 2024, forming the new National Energy System Operator (NESO). Subsequently, employees of NESO who were also members of the NGE Group commenced membership of their new pension scheme, the NESO Section of The Pensions Master Plan, on 1 April 2025, and a bulk transfer of their past service benefits accrued with the Group took place on 1 July 2025.

Best wishes

Stephen Yandle
Chair of the Group Trustee

SUMMARY OF THE YEAR

What Came In	**£m**
For the year to 31 March 2026	
Contributions receivable	21.7
Other	1.1
Net increase on investment returns	50.6
TOTAL	**73.4**

What Went Out	**£m**
For the year to 31 March 2026	
Pension and dependants' benefits	(124.0)
Payments to and on account of leavers	(86.3)
Administrative expenses	(3.7)
TOTAL	**(214.0)**

Statement showing value of Group Assets over the last five years

As at 31 March	**£m**
2026	**2,137.7**
2025	2,278.3
2024	2,453.0
2023	2,597.8
2022	3,429.8

Summary of membership statistics as at 31 March 2026

Contributors	511
Pensioners	4,279
Dependants	1,368
Deferred Pensioners	1,019
TOTAL	**7,177**

N.B. these statistics exclude EPB-only members

Statement of investments spread by category of investment as at 31 March 2026

Asset type	**% of Group assets**
Bulk Annuity	66.81
Liability Driven Investments	19.44
Property and Cash	3.91
Private Credit	2.06
Infrastructure	7.78
TOTAL	**100.0%**

REPORT OF THE GROUP TRUSTEE

INTRODUCTION

This Annual Report & Financial Statements is produced by the Group Trustee for the members of the National Grid Electricity Group of the Electricity Supply Pension Scheme.

The Scheme is an industry-wide pension scheme in which the participating employers are companies formed upon the privatisation of the electricity industry in 1990 or their successors.

The Scheme has 22 (2025: 22) separate actuarially independent sections (known as 'Groups') in respect of each of the companies participating in the Scheme as Principal Employers and each Group has its own assets to fund the benefits of its members. Information relating to the Scheme as a whole can be found in the Scheme Annual Report & Financial Statements.

The Principal Employer of the Group is National Grid Electricity Transmission plc (the Company). National Grid UK Limited and Elexon Limited are Participating Employers in the Group. The Principal and Participating Employers of the Group are collectively referred to as 'Employers' in this Report.

National Grid Electricity System Operator Limited was a previous Participating Employer in the Group but ceased participation on 31 March 2025.

The Scheme is established under an irrevocable trust, and its provisions are set out in the Clauses and Rules contained in the Scheme document. Membership has been closed to new employees since April 2006 for whom alternative arrangements have been put in place.

The Scheme is a registered pension scheme under the Finance Act 2004 and is also a tax registered scheme.

In the case of the National Grid Electricity Group, only Defined Benefit Arrangements apply where benefits are based on member's salary and length of service.

The Financial Statements included in this annual report on pages 35 to 48 are the Financial Statements required by the Pensions Act 1995. They have been prepared and audited in compliance with Regulations made under Section 41 (1) and (6) of that Act.

GROUP MANAGEMENT

The Group is administered by a trustee company – National Grid Electricity Group Trustee Limited (NGEGTL).

The Board of NGEGTL (the Group Trustee) is comprised of ten Directors (Trustees) - four appointed by the Company (Appointed Trustees) and six who are elected/selected by both members of the Group (Elected Trustees) and existing Elected Trustees.

The following were Trustee Directors during the Scheme Year:

Elected Trustees:

Graham Commons[1]	Ex-Asset Management, ETAM
Paul Hernaman[1]	Former Head of Finance Business Development
Philip Johnson[1]	Ex-Business Transition Manager, System Operator
Henry Lu[1]	Ex-Price Control Finance Manager
John Ong[1, 2]	Ex-UK Head of Employee Relations
Linda Ryan[1]	Ex-Head of Corporate Audit

Appointed Trustees:

Rachel Croft (Independent Governance Group)	Professional Trustee
Kylee Dickie[3]	Group Head of External Reporting
Sukhjindar Sahota	Senior Tax Manager
Stephen Yandle (Zedra Governance Ltd)	Professional Trustee

[1] *In receipt of a pension from the Group.*
[2] *Stood down as a Group Trustee Director on 31 March 2026 and was replaced by Ian Braine with effect from 1 April 2026.*
[3] *Stood down as a Group Trustee Director on 8 June 2026 and was replaced by Adele Hutchings with effect from 9 June 2026.*

In line with the Group Trustee Company's Articles of Association and Election process, Elected Trustees cease to be a Trustee at the end of their term of office (five years), or if they resign, cease to be a contributing member or pensioner of the Group, or are removed from office by a majority of the other Elected Trustees. Appointed Trustees can only be removed from office by the Company.

Voting rights of the Trustees are divided equally between the Elected and Appointed Trustees. The Chair has a casting vote in the event that a majority decision cannot be reached.

The next Group Trustee Election will take place in early 2028.

Panel Members:

During the Scheme Year, the following individuals served as Panel Members:

- Ian Braine
- Yogesh Nakarja

Meetings of the Group Trustee during the Scheme Year

Group Trustee Meetings:

At its meetings, the Group Trustee deals with matters relating to the management of the Group, members' benefits, and funding and investment matters. It also receives periodic reports and presentations from its sub-committees and advisers.

In addition to these regular items of business, the Group Trustee maintains and monitors its risk and business plans throughout the year. The Group Trustee also holds an annual business planning day that it uses to review the work undertaken in the previous Scheme year and to discuss issues that are to be considered over the next Scheme year.

The Group Trustee continues to communicate with members on key issues affecting the Group via its newsletter, Pensions Brief, and via the Group's website, which holds copies of important documents including this report: ngeg.pensions.nationalgrid.com.

During the Scheme Year, three of the four quarterly meetings of the Group Trustee were held via video conference, while one was held in person (with some attendees joining via video conference).

During the Scheme Year, the Panel Members attended the Board meetings on a rotational basis.

Trustee Committees:

In addition to the meetings of the Group Trustee, certain matters were subject to detailed consideration in Trustee Committees. During the year, the Trustee Committees comprised the Funding & Investment Committee, Governance & Audit Committee, Discretions Committee, and Member Experience & Engagement Committee.

- **Funding & Investment Committee**

  The Funding & Investment Committee consists of two Appointed Trustees and two Elected Trustees.

  During the Scheme Year, the Appointed Trustee Committee members were Stephen Yandle and Kylee Dickie. The Elected Trustee Committee members were Philip Johnson and Paul Hernaman.

  The main aim of this Committee is to allow the Group Trustee to deal with funding and investment-related matters in an effective manner and to ensure sufficient time is available for relevant issues to be properly addressed. The Committee also acts as the main interface with investment managers, allowing Committee members to develop an in-depth knowledge and understanding of pertinent matters.

  During the Scheme Year, the Committee held four quarterly meetings and two special committee meetings. Panel Members attended the meetings on a rotational basis.

- **Governance & Audit Committee**

  The Governance & Audit Committee consists of a minimum of one Appointed Trustee and one Elected Trustee.

  During the Scheme Year, the Appointed Trustee Committee members were Rachel Croft and Sukhjindar Sahota. The Elected Trustee Committee members were Linda Ryan and Henry Lu.

  The main aim of the Committee is to deal with governance-related matters including audits, cyber security and risk management in an effective manner on behalf of the Group Trustee Board.

  During the Scheme Year, the Committee held four meetings. An allocated Panel Member was also invited to attend.

- **Discretions Committee**

  During the Scheme Year, the Discretions Committee membership consisted of an appointed Group Trustee Director and an elected Group Trustee Director, participating by rotation through the members of the Board.

  The Discretions Committee considers matters via correspondence or convenes meetings as necessary, on an ad hoc basis, to consider discretionary cases, including lump sum, overpayment, dependants' pensions, transfer out cases and ill health cases.

- **Member Experience & Engagement Committee**

  The Member Experience & Engagement Committee consists of a minimum of one Appointed Trustee and one Elected Trustee.

  During the Scheme Year, the Appointed Trustee members were Rachel Croft and Sukhjindar Sahota. The Elected Trustee members were John Ong and Henry Lu. John Ong stepped down from his role as Chair of the Committee on 31 March 2026 and was replaced by Sukhjindar Sahota.

  The main aim of the Member Experience & Engagement Committee is to allow the Group Trustee to have oversight of the member experience provided by the Group's administration provider, Broadstone, and to discuss the Group's communications strategy and all matters related to effective communication with members.

  During the Scheme Year, the Committee held four quarterly meetings. An allocated Panel Member was also invited to attend.

Trustee Training

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for the Group Trustee to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets, and other matters to enable them to exercise their functions as Trustees properly. This requirement is underpinned by guidance in the Pension Regulator's General Code of Practice.

The Group Trustee reviews its training requirements on an annual basis, taking into account the results of its Skills Framework assessments as detailed in the Group Trustee Training Policy (the Policy). The Policy formalises the training and development opportunities for the Group Trustee, both new and experienced, and sets out its commitment to training. It also includes a Skills Framework, which allows the Trustees to assess themselves against the Pension Regulator's (tPR) Trustee Knowledge and Understanding (TKU) requirements and to identify and address any skills gaps.

The Trustees are provided with training opportunities, including training if a particular skills gap has been identified or on topical issues where a need is identified. In addition, all Trustees are required to complete the Pensions Regulator's 'Trustee Toolkit' online learning modules with new Trustees required to complete the toolkit within six months of taking office. All Trustees in office during the Scheme Year had completed the Trustee Toolkit.

Records are kept and updated of all the training undertaken by the Trustees as a collective and as individual Trustees. During the Scheme Year, the Trustees completed a total of 218 hours of formal and informal training, broadly equivalent to 32 days. Of this, 82 hours were funding and investment-specific, equivalent to 12 days.

Group Trustee's Statement on Investments

The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 requires Group Trustees to provide a statement of the Group Trustee's policy (if any) in relation to investments and the extent to which Social, Environmental and Governance considerations are taken into account in the selection, retention and realisation of investments. A similar Statement must also be documented in the Statement of Investment Principles (SIP).

The Group Trustee recognises that Social, Environmental and Governance considerations are among the factors which investment managers will take into account, where relevant, when selecting investments for purchase, retention or sale.

Due to the structure of the industry-wide Electricity Supply Pension Scheme (ESPS), the Group Trustee is not required to prepare an annual report to meet the requirements of the Taskforce on the Climate related Financial Disclosure (TCFD). Instead, the reporting requirement is at the overarching Scheme-level.

The Electricity Supply Pension Scheme has been in scope of the climate change governance and reporting requirements from 1 October 2021. It has a Scheme year end date of 31 March, so the deadline for publishing a TCFD report for the current year is 31 October 2026.

For more information on the Scheme's TCFD report — the Scheme trustee's identification, assessment and management of climate change risk (to be published no later than 31 October 2026) - please visit https://www.espspensions.co.uk/#useful-documentation.

The Group’s investments continue to remain aligned to the policies set out in the SIP.

On 1 October 2019, new requirements came into force regarding a pension scheme’s SIP. A SIP must include the trustees’ policy relating to the exercise of the rights attaching to the investments, including voting rights, and engagement activities of investments. Additional changes were made to the SIP by 1 October 2020, the same date on which the Group’s SIP was made publicly available on the Group’s website.

In accordance with the Disclosure Regulations Schedule 3, 30(d)(iv) Investment Regulations 2(3)(d), from 1 October 2020 the Group Trustee have set out in their SIP their policies in relation to the following matters:

- how the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Group Trustee’s policies mentioned in sub paragraph B of the Investment Regulations;
- how that arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long term;
- how the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Group Trustee’s policies mentioned in sub paragraph b of the Investment Regulations;
- how the Group Trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range; and
- the duration of the arrangement with the asset manager.

The Group Trustee’s Engagement Policy Implementation Statement, which sets out further voting and engagement information undertaken by the Group's investment managers for the year ended 31 March 2026, is set out on pages 56 to 61 and forms part of the Group Trustee’s Report.

Statement of Group Trustee's responsibilities

The Group Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Group Trustee. Pension scheme regulations require, and the Group Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Group during the Group year and of the amount and disposition at the end of the Group year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Group year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Group Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Group will continue as a going concern.

The Group Trustee is also responsible for making available certain other information about the Group in the form of an annual report.

The Group Trustee has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Group Trustee is also responsible for the maintenance and integrity of the NGE Group of the ESPS website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Group Trustee's responsibilities in respect of contributions

The Group Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary, revising a schedule of contributions showing the rates of contributions payable to the Group by or on behalf of employers and the active members of the Group and the dates on or before which such contributions are to be paid.

The Group Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Group and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Group in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Group Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

Additional Group Trustee Responsibilities:

The structure of the Scheme means that certain matters are dealt with by the Group Trustee and certain matters are dealt with by the Scheme Trustee.

The main additional responsibilities of the Group Trustee are:

- to determine an investment strategy for Group assets;
- to ensure appropriate management of the Group assets;
- to arrange for regular actuarial valuations of the Group to be carried out in accordance with the funding principles agreed with the Employers;
- to prepare and agree with the Employers a Statement of Funding Principles which includes the actuarial assumptions used to assess the Group's liabilities;
- to prepare and agree a recovery plan with the Employers for making good any shortfall in assets against liabilities identified in periodic actuarial valuations; and
- to make available to members annual funding updates on the financial position of the Group;

In carrying out its work the Group Trustee must always act impartially and in the best interests of all the members of the Group.

To assist it in its work, the Group Trustee has appointed a team of professional advisers, whose advice must be taken into account when necessary. The advisers include lawyers, actuaries, investment consultants, and investment managers. Their details are set out on page 49. In addition, the Group Trustee is supported by Trustee Services, a dedicated team of specialists covering finance, investment, governance, and operations.

The Group Trustee is also responsible for the maintenance and integrity of the Group's website, which can be accessed via ngeg.pensions.nationalgrid.com.

Scheme Trustee Responsibilities and Constitution:

The central Scheme Trustee, EPTL, is a trust corporation and consists of a Council and a smaller board of Directors. The main responsibilities of the Scheme Trustee (EPTL) are:

- to ensure the safe custody and administrative control of assets;
- to produce the Scheme Report and Financial Statements on an annual basis.

Each Group appoints two individuals to be Councillors of the EPTL Council; one Councillor is chosen by the Elected Trustees, and one by the Principal Employer. At 31 March 2026, Graham Commons and Nikki Dark were respectively the Elected and Appointed Councillors of the National Grid Electricity Group.

The Council is responsible for the appointment of a smaller Board of eight Directors, selected from their number under the following criteria:

a) Four Directors must be Councillors chosen by Elected Group Trustees;
b) Four Directors must be Councillors chosen by Principal Employers.

The Board also has an Independent Chair, Zedra Governance Ltd, represented by Melanie Cusack.

The Council has also chosen a panel of four Reserves who may attend Board meetings as observers, but they do not have any voting rights at these meetings. Two are chosen by the Elected Group Trustees and two by the Principal Employers.

At the Council meeting in November 2025, the Principal Employer nominated Nikki Dark as its appointed representative and Nikki was re-appointed as a Director until the Council meeting in 2027. At the Council meeting in November 2024, Graham Commons was reappointed as a Director until the 2026 Council meeting.

Changes in Scheme Provisions

From time to time there may be a need to amend the provisions of the Scheme or the provisions as they apply to the Group only.

Scheme-wide Amendments:

EPL may amend the provisions of the Scheme with the unanimous consent of all of the participating Principal Employers. During the year ended 31 March 2026, no Scheme-wide amendments were made.

Group Amendments:

National Grid Electricity Transmission plc, the Principal Employer, may make amendments to the provisions of the Scheme as they apply to the Group. During the Scheme Year ended 31 March 2026, the Principal Employer did not make any amendments.

Review of the Operation of the ESPS

- The Scheme's AGM took place on 18 November 2025 and was held virtually by video conferencing. The 2026 Scheme AGM will take place on 18 November 2026.
- The Board continued to monitor risks through its Risk Register which is considered at each main meeting.
- The Scheme's Tax Adviser, KPMG, review is scheduled for September 2026.
- The Scheme's Auditors were reviewed and re-engaged.
- The Capita administration contract was monitored.
- The annual Task force on Climate-related Financial Disclosure (TCFD) report was compiled.
- Considered the implications and taking required action in respect of the TPR General Code of Practice.
- Actively engaging with both the Department for Work and Pensions ("DWP") and The Pension Regulator ("TPR") regarding the requirements in respect of the Pension Dashboards.
- Maintaining the ESPS website (espspensions.co.uk).
- Various governance matters were progressed.

Virgin Media Limited / NTL Pension Trustees II decision

The Virgin Media Limited / NTL Pension Trustees II decision, handed down by the High Court in June 2023, considered the implications of section 37 of the Pension Schemes Act 1993, which required that the rules of a salary-related contracted-out scheme cannot be altered unless the actuary confirmed that the scheme would continue to satisfy the statutory standards. The High Court found that, where the required actuarial confirmation was not supplied, the effect of section 37 was to render the relevant amendment to any contracted-out right automatically void. It also held that references in the legislation included both past and future service rights and that the requirement for actuarial confirmation applied to all amendments to the rules of a contracted-out scheme.

The appeal was heard in June 2024 and the Court of Appeal upheld the High Court's decision. The case has been the subject of considerable discussion across the pensions industry, and the DWP has made legislation which permits actuarial confirmation to be given retrospectively where it could have been given at the time. National Grid Electricity Transmission, as principal employer of the Group, has undertaken a review of past deeds of amendment for the Group and no concerns were raised. The Group Trustee is content to rely on those assurances and to consider the matter closed. In particular, the Group Trustee does not consider it necessary to exercise its powers under section 102 of the Pension Schemes Act 2026 to seek retrospective actuarial confirmation of any past deeds of amendment.

Change in administrator

On 20 May 2025, Railpen Limited ("Railpen") signed an agreement to sell its TPA business (the "Business") to Broadstone Holdco Limited ("Broadstone"). The sale to Broadstone completed on 1 July 2025.

1. A transfer of the TPA business to a wholly owned Railpen subsidiary called RP TPA Limited ("RP TPA"), a private company limited by shares incorporated in England under registered number 16262678.
2. The transfer of the business to RP TPA came into effect at 11.59 p.m. (London time) on 30 June 2025 (the 'Effective Time").
3. All rights, obligations and liabilities under the Agreement with Railpen transferred by way of novation to RP TPA.
4. With effect from the Effective Time, RP TPA will:
   a) perform all the obligations and liabilities of Railpen in place of Railpen; and
   b) assume all the rights, obligations and liabilities of Railpen as if RP TPA were named in the Agreement as the original party to the Agreement in place of Railpen; and
   c) be entitled to enforce the terms of the Agreement in place of Railpen.

The transition included:

1. The migration of experienced Railpen colleagues, under a TUPE arrangement
2. Initial communications and engagement with clients, including the contract novation process
3. Data transfer and system migration
4. Client and member onboarding
5. Full-service transition

ADMINISTRATION REPORT

Membership Statistics for the year ended 31 March 2026

	Contributors	Pensioners	Dependants*	Deferred Pensioners	EPB-only members**	Total
At 1 April 2025	**544**	**4,358**	**1,393**	**1,223**	**299**	**7,817**
Adjustments to opening balance	(11)	1	6	(29)	-	(33)
Adjusted opening balance	**533**	**4,359**	**1,399**	**1,194**	**299**	**7,784**
New contributors/deferred pensioners	-	67	40	4	-	111
Retirements	(18)	-	-	(49)	-	(67)
Deaths	-	(147)	(71)	(1)	-	(219)
Leavers	(4)	-	-	(127)	-	(131)
Leavers with refunds of contributions/transfers to other schemes/cessation of child allowances				(2)		(2)
At 31 March 2026	**511**	**4,279**	**1,368**	**1,019**	**299**	**7,476**

**Includes spouses, dependants, and children in receipt of a pension from the Group.*
*** Equivalent Pension Benefit (EPB) only members refers to members who were entitled to a frozen benefit equivalent to the relevant State Graduated Pension Scheme benefit, in respect of service prior to 1975.*

Pension Increases

The Clauses and Rules of the Scheme, applicable to the Group, provide for all pensions in payment, child allowances, and deferred pensions, to be increased on an annual basis on 1 April each year. The rise is in accordance with the rise in the Retail Prices Index (RPI) in the 12 months ended on the preceding 30 September. If the RPI increase is greater than 5%, National Grid Electricity Transmission plc has the discretion to limit the pension increase to a lower figure subject to a minimum of 5%.

The pension increase applied from 1 April 2026 was 4.5%. A proportionate increase was applied to pensions which came into payment between 2 April 2025 and 1 March 2026.

Pension increases over the previous five years were:

Pensions in payment:

1 April 2025	2.7%
1 April 2024	5.0%
1 April 2023	5.0%
1 April 2022	4.9%
1 April 2021	1.1%

Transfers from the Group

Deferred Pensioners can transfer the cash equivalent of their deferred benefits to another approved pension arrangement.

In all cases, the cash equivalents paid during the year were calculated and verified in the manner prescribed by the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

The Group Trustee is making no allowance in the calculation of cash equivalents for discretionary pension increases where RPI exceeds 5% in any year.

GMP Equalisation

As stated in the Report of the Group Trustee, the Group has undertaken a process of assessing the overall impact of the October 2018 ruling regarding GMP Equalisation and based on an assessment by the actuary, an estimate of £3.3 million has been determined for the total back payment due. In February 2025, a GMP conversion exercise was completed in respect of over 80% of the Group's pensioners and dependants. This included one-off payments to members totalling around £2.5 million for GMP Equalisation uplifts in respect of past payments that would have been due. The converted benefits were included in the actuarial valuation as at 31 March 2025 and so the impact in relation to these future payments for GMP Equalisation is now included in the liabilities.

On 20 November 2020, the High Court handed down a further judgment on the GMP equalisation case in relation to the Lloyds Banking group pension schemes. This follows from the original judgement in October 2018. This latest judgment confirms that defined benefit schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Group has historical transfers which may be subject to adjustment as a result of this second ruling. The 2025 Actuarial Valuation included an estimated potential liability of £0.5m to cover any GMP Equalisation top up payments relating to historical transfers out of the Group. The Group Trustee will be considering historical transfers out further at future meetings and decisions will be made as to the next steps. Any further calculations on the adjustments necessary will be recognised in the financial statements in future years.

INVESTMENT REPORT FOR THE SCHEME YEAR

Investment Strategy and Statement of Investment Principles

The Group Trustee determines its investment strategy based on advice received from Aon which takes account of the Group's current and anticipated future pension liability profile. As a result, the Group has exposure to risks because of the investments it makes in following its investment strategy. This strategy considers the Group's investments in the following categories:

- **Return-seeking assets:** Predominantly private credit, infrastructure and property, where the objective is to achieve growth within the constraints of the risk profile set by the Group Trustee; and

- **Liability-driven assets:** The LDI portfolio comprises UK government and Supranational bonds, interest rate and inflation swaps and repurchase agreements, the purpose of which is to hedge against the impact of changes in market expectations for interest rates and inflation on the Group's liabilities (excluding those covered by the insurance policy with Aviva).

- **Insurance policy:** Which has been tailored to match the value of the benefits payable to the members covered under the policy. In practice Aviva will make monthly payments to the Group, which in turn, will cover the regular pension payments to members.

The Group Trustee manages investment risks, including credit risk and market risk, within agreed risk limits implemented through the investment agreements in place with the Group's investment managers, and monitored by the Group Trustee by regular reviews of the investment portfolio. For further information see Note 18 of the Financial Statements on pages 44 to 47.

The Group Trustee has produced a Statement of Investment Principles (SIP) in accordance with Section 35 of the Pensions Act 1995. In preparing the SIP the Group Trustee took professional advice from Aon and consulted with the Company.

The SIP covers the Group Trustee's policy on the following matters:

(a) ensuring compliance with the current investment requirements;
(b) investment objectives and overview of strategy;
(c) investment beliefs;
(d) risk;
(e) realisation of investments; and
(f) social, environmental and ethical investment considerations.

The Group Trustee is not aware of and has not been informed by the fund managers of any departures from the SIP during the Scheme Year.

A copy of the SIP is available on the Group website www.ngeg.pensions.nationalgrid.com or alternatively, it can be obtained by writing to the Group Administrator, whose contact details appear on page 54.

Investment Arrangements

The Group Trustee is responsible for making suitable arrangements for the investment of the assets of the Group and for monitoring the investment performance of those assets.

The Group Trustee has considered the nature, disposition, marketability, security and valuation of the Group's investments and consider them to be appropriate relative to the reasons for holding each class of investment.

Group Appointed Fund Managers:

As at 31 March 2026 the names of the fund managers appointed by the Group Trustee, the investment portfolios they manage, and the amounts under their management were:

Fund Manager	Appointment	Type of	AUM (£million)
Insight Investment	18 November 2013	Liability Driven Investment (LDI)	413.2
CBRE Global Investors Limited	1 December 2016	UK Property	8.5
CVC Credit Partners	22 June 2021	Private Credit	43.8
KKR	30 March 2022	Infrastructure	165.2
Insight Investment	28 June 2016	Liquidity Fund	74.5
Aviva	31 October 2024	Insurance policy	1,419.8
Total			**2,125.0**

Source: BNY Mellon with updated valuations provided by managers for KKR and CVC
The Group had a residual amount invested within a USD denominated Short-Term Investment Fund.
Total may not sum due to rounding

The Group Trustee specifies the investment objectives for each of these portfolios, including performance targets for each manager. Investment reports are received in accordance with the instructions of the Group Trustee and representatives of each fund manager attend meetings of the Group Trustee as required to discuss the results of their management of the portfolio(s) concerned against targets.

The performance objectives set for each of the above portfolios were:

Mandate	Benchmark	Outperformance	Assessment
Insight LDI	95% PV01, 95% IE01[1]	Outperformance of benchmark	Continuous
CBRE Global Investment - UK Property	Association of Real Estate Funds/Investment Property Databank All Balanced Property Fund Index	Outperformance of benchmark	Continuous
CVC European Direct Lending	N/A	Net IRR 7% p.a.	Over lifetime of the fund
KKR Diversified Core Infrastructure	N/A	Net IRR (7-9%) p.a.	Over lifetime of the fund

Note: The Group Trustee took the decision not to hedge the Liability Proxy in full based on the prevailing funding position of the Group. Instead, the Group Trustee has set a strategic target hedge ratio to protect against a set proportion of the interest *rate exposure (PV01) and of the inflation exposure (IE01) of the Liability Proxy which increased in line with their flight plan arrangement. This forms the Insight Benchmark, which Insight aims to outperform over the long term. As at 31 March 2026, the target hedge ratios for interest rate and inflation were 95.0% on Gilts + 0.25% (with an allowance for expenses) basis for the liabilities not covered by the insurance policy.*

See Notes 10 and 13 to the Financial Statements for details of the allocation of Group assets as at 31 March 2026.

The following changes were undertaken over the Scheme Year:

NESO bulk transfer
Following the separation of one of the Group's participating employers, the National Grid Electricity System Operator, from National Grid plc, to form the National Energy System Operator (NESO) on 1 October 2024, a bulk transfer of 125 members' past service benefits accrued with the Group took place on 1 July 2025. These members had already ceased accruing service with the Group after 31 March 2025.

Employees of NESO, who were also members of the Group, commenced membership of their new pension scheme, the NESO Section of The Pensions Master Plan, on 1 April 2025.

Subsequently, a bulk transfer of past service took place on 1 July 2025, which comprised approximately £78m of assets being transferred from Group to the new NESO Section of The Pensions Master Plan. A further £3.8m was transferred on 1 September 2025 in respect of investment related distributions accrued up to 30 June 2025.

Hedging adjustment for residual liabilities
The Group increased the hedge ratios of the LDI portfolio which hedge the residual liabilities (post buy-in and post NESO transfer) from 89% to 95%, with the remaining Group liabilities covered by the annuity purchase.

Other changes
HPS and JP Morgan issued their final distributions of c.£350k and c.£1.2m respectively, which were paid to the Group in December 2025 and January 2026, which were subsequently invested into the Group's liquidity fund. In addition, the Group continued to place redemptions from CBRE UK PAIF which continued to be scaled back and deferred over 2025.

Investment Performance

The Group Trustee assesses the performance of the Group's investments in the following categories consistent with the overall strategy:

- Return-seeking assets are assessed by reference to benchmarks and performance targets set and agreed with each manager; and

- Liability-driven assets are compared with benchmarks, but the Group Trustee's main concern is security of cash flows, and therefore growth in these assets (which is normally linked to growth in Group liabilities, or vice versa) is less relevant.

The Group Trustee receives quarterly reports from its investment advisers showing actual performance by manager and fund. Investment managers present reports as required each year, to report on compliance with their agreements and to be questioned by the Group Trustee.

Performance of the Group's investments (where invested for at least one year) is summarised below.

Annualised return over	1 year – fund (%)	1 year – benchmark (%)	3 year – fund (%)	3 year – benchmark (%)	Allocation (%)
Insight LDI	2.3	2.6	-3.8	-3.8	19.4
CBRE UK Property	-4.3	4.3	-0.6	3.3	0.4
Group Total	**1.6**	**1.6**	**-2.4**	**-3.3**	

Source: BNY Mellon.
Net of fees returns are shown for all managers.
CVC and KKR have been excluded as performance is assessed using alternative metrics that consider the weighting and timing of cashflows over the lifetime of the fund.

The change in Retail Price Index (RPI) for the year to 31 March 2026 was 4.1% and the three-year annualised change in RPI was 3.9% per annum.

The Group Trustee employs Aon as its investment adviser to provide quarterly independent assessments of the investment managers. The Group Trustee employs BNY Mellon to independently calculate the Group's investment performance.

Investment Report

Market Background Summary: 12 Months to 31 March 2026:

Total market returns (in Sterling terms) over the year to 31 March 2026 were as follows:

Asset Class	%
UK equities	23.0
US equities	15.2
European ex UK equities	15.7
Japanese equities	23.6
Emerging market equities	27.5
Fixed interest gilts	2.5
Index-linked gilts	4.1
UK corporate bonds	4.4
UK property	6.5

Market Commentary:

Over the past 12 months, the Bank of England (BoE) reduced its policy interest rate three times by 0.25% each, ending the year at 3.75%. In Q1 2026, it held rates steady, but communication turned more hawkish following Middle East tensions, emphasising higher inflation risks and signalling limited near-term scope for further cuts until the scale and duration of the resulting energy price shock became clearer.

UK, gilt yields moved higher across the curve over the twelve months. The 10-year nominal gilt yield ended the period at 4.84%, a rise of 17bps, having briefly traded above 5% in Q1 2026 – its highest level since the global financial crisis. Overall, according to FTSE All-Stocks indices, UK fixed-interest gilts returned 2.5% and index-linked gilts returned 4.1% over the last twelve months.

The UK credit market performed positively over the past twelve months. UK investment-grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, narrowed slightly by 12bps to 90bps. The index rose 4.4% over the year.

UK property posted a solid performance. The MSCI UK property index returned 6.5% over the twelve months to 31 March 2026 in sterling terms, with income remaining the key component of total return in an environment of higher interest rates and elevated financing costs. Industrial and logistics assets continued to benefit from structural demand drivers, while retail and office sectors saw more uneven outcomes, reflecting ongoing shifts in occupier demand and the impact of higher energy and operating costs on asset valuations.

Employer-Related Investments

Investment Regulations limit employer-related investments by occupational pension schemes. These investments include shares, loan stocks, debentures and other securities issued by the employers participating in the scheme and their associated companies, together with loans made to the employers, and any properties or land owned by the scheme and occupied by the employers.

The Regulations apply separately to each Group within the Scheme, by reference to the investments of the Group Trustees in the Employers participating in their Group and their associated companies and provide that such employer-related investments must not exceed 5% of the market value of the Group's assets.

As at 31 March 2026 the National Grid Electricity Group had approximately 0.0% of its assets (2025: 0.0%) invested in National Grid Electricity Transmission plc and its associated companies. The proportion of Group assets in employer-related investments does not exceed 5% of the market value of the Group assets as at 31 March 2026, and these investments therefore comply with legislative requirements.

See also Note 20 to the Financial Statements on page 47.

Additional Voluntary Contributions (AVC) Investments

Members of the Group can pay AVCs to purchase additional years of pensionable service or money purchase benefits.

During the Scheme Year, 76 members paid AVCs into insurance companies to obtain further benefits, on a money purchase basis, within the overall allowances set by HM Revenue & Customs. The Group Trustee holds these assets, invested separately from the main fund, in the form of individual insurance policies. Each member receives an annual statement at year end confirming the amount held in his/her account and the movements in the Scheme Year.

During the Scheme Year, the Group Trustee conducted a review of the Group's AVC providers in conjunction with its Investment Adviser. No major issues were identified by the review.

Custody

The assets of the Group were subject to the overall custody and administrative control of EPTL and are held by the Scheme-wide custodian appointed by EPTL to safeguard the assets.

The Bank of New York Mellon is the custodian in relation to securities. Where certificates are available in relation to such securities, they are held by The Bank of New York Mellon and identified as investments of the Scheme. Where certificates are not available, but records are held in computer-based systems, the relevant accounts record the Scheme's ownership.

The Group Trustee is responsible for instructing BNY Mellon on the day to day management of the assets of its Group.

For Segregated Funds, money at call and short notice is placed in accordance with the provisions of Investment Management Agreements negotiated between the Group Trustee and the Segregated Fund Managers. In each case the Scheme is identified as the lender.

All cash is held in bank accounts in the name of the Scheme, or in a fund manager’s institutional cash fund, commonly called a cash pool. This type of investment allows cash to be invested across a broad range of institutions thereby reducing risk and exposure.

REPORT ON ACTUARIAL LIABILITIES AND STATEMENT OF FUNDING PRINCIPLES

As required by Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102), the Financial Statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed every three years using assumptions agreed between the Group Trustee and the Employer and set out in the Statement of Funding Principles, a copy of which is available on the Group's website. The most recent triennial actuarial valuation of the Group was carried out as at 31 March 2025. An approximate update was performed as at 31 March 2026.

Valuation date: 31 March	**2026**	**2025**
Value of technical provisions	£1,975.4M	£2,090.6M
Value of assets available to meet technical provisions	£2,132.8M	£2,227.0M
As a percentage of technical provisions	108.0%	106.5%

Although there are no current plans to discontinue the Group and buy-out liabilities with an insurance company, the Group Trustee also considers the level of funding relative to the estimated costs of such a buy-out (known as 'solvency liabilities') and equivalent information on this basis is provided below:

Valuation date: 31 March	**2026**	**2025**
Value of solvency liabilities	£1,928.2M	£2,125.9M
Value of assets available to meet solvency liabilities	£2,092.4M	£2,225.9M
As a percentage of solvency liabilities	108.5%	104.7%

The value of technical provisions is based on Pensionable Service to the valuation date and assumptions about various factors that will influence the Group in the future, such as levels of investment returns and pay increases, when members will retire, and how long members will live. The method and significant actuarial assumptions used in calculations are as follows.

Method

The actuarial method to be used in calculation of the technical provisions is the Projected Unit Method.

Significant Actuarial Assumptions

Discount interest rate: term dependent rates are used with the rate for each future year determined as the forward rate of the fixed interest gilt yield curve at the valuation date plus 0.25% p.a.

Future retail price inflation: term dependent rates derived from the difference between the fixed-interest and index-linked gilt yield curves.

Future consumer price inflation: term dependent rates derived from the assumption for future retail price inflation less 0.8% p.a. pre 2030 and nil post 2030.

Pension increases: For benefits in excess of GMPs, the assumptions are derived from the retail price inflation assumption allowing for the minimum increase of 0% in any year and the maximum increase of 5% in any year, and the fact that inflation varies from year to year. For converted GMPs there are some with nil increases and some the assumptions derived from the consumer price inflation assumption allowing for the minimum increase of 0% in any year and the maximum increase of 3% in any year.

For former NGUKPS members that joined the Group after 31 March 2022, for benefits in excess of GMPs, the assumptions are derived as above but based on uncapped increases.

A partial allowance is made for the higher cost of pension increases on buy-out by assuming retail price inflation is 0.1% p.a. higher than described above for the purpose of determining pension increases.

Pay increases: Each member's pay is assumed to increase in line with the assumed rate of retail price inflation plus 0.5% p.a. In addition, promotional salary increases will be allowed for using an age-related scale. For leavers after 31 March 2014, the benefits payable from the Group in respect of service after 31 March 2013 are calculated based on salary subject to a cap. Capped salary is subject to a maximum increase equal to the lower of retail price inflation and 3% each year. A separate assumption for increases in capped salary is derived from the retail price inflation assumption allowing for the minimum increase of 0% in any year and the maximum increase of 3% in any year, and the fact that inflation varies from year to year.

Mortality: For the period in retirement, standard tables S4NMA with a scaling factor of 95% for male active and deferred members and 90% for male pensioners and dependants; and S4NFA with a scaling factor of 95% for female active members, 100% for female deferred members and 95% for female pensioners and dependants.

Recovery Plan

As the Group was in surplus as at 31 March 2025 on the technical provisions basis a Recovery Plan was not required. A revised Schedule of Contributions dated 11 March 2026 was certified by the Group Actuary on 31 March 2026. A copy of this certificate is included on page 28 of this annual report.

Next Actuarial Valuation

The next triennial valuation will be performed as at 31 March 2028. The Group Trustee expects to agree a revised Recovery Plan (if required) before the statutory deadline of 30 June 2029.

Approved and signed on behalf of the Group Trustee:

Stephen Yandle
Chair of National Grid Electricity Group Trustee Limited
4 August 2026

Independent auditors’ statement about contributions to the Group Trustee of National Grid Electricity Group of the Electricity Supply Pension Scheme

Statement about contributions

Opinion

In our opinion, the contributions required by the Schedules of Contributions for the Group year ended 31 March 2026 as reported in National Grid Electricity Group of the Electricity Supply Pension Scheme’s summary of contributions have, in all material respects, been paid in accordance with the schedules of contributions certified by the Group actuary on 29 June 2023 and 31 March 2026.

We have examined National Grid Electricity Group of the Electricity Supply Pension Scheme’s summary of contributions for the Group year ended 31 March 2026 which is set out on the following page.

Basis for opinion

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Group under the schedules of contributions, and the timing of those payments.

Responsibilities for the statement about contributions

Responsibilities of the Group Trustee in respect of contributions

As explained more fully in the statement of Group Trustee’s responsibilities, the Group’s Group Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Group by employers in accordance with relevant requirements.

Auditors’ responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

Use of this report

This report, including the opinion, has been prepared for and only for the Group Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 August 2026

SUMMARY OF CONTRIBUTIONS PAYABLE FOR THE YEAR ENDED 31 MARCH 2026

National Grid Electricity Group of the Electricity Supply Pension Scheme

During the Scheme year ended 31 March 2026, the contributions required by the Schedules of Contributions for the Group year were as follows:

	Employer	Employees	Total
	£m	£m	£m
Contributions required by the Schedules of Contributions			
Normal contributions	16.6	0.1	16.7
Total as reported on by Group auditors	**16.6**	**0.1**	**16.7**
Other contributions payable			
Augmentations	0.5	-	0.5
Additional voluntary contributions	-	0.6	0.6
Other	3.8	0.1	3.9
Total (as per Fund Account)	**20.9**	**0.8**	**21.7**

Approved and signed on behalf of the Group Trustee:

Stephen Yandle
Chair of National Grid Electricity Group Trustee Limited
4 August 2026

Certification of Schedule of Contributions

Name of scheme: Electricity Supply Pension Scheme:
National Grid Electricity Group

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 11 March 2026.

3. The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Group's liabilities by the purchase of annuities, if the Group were to be wound up.

Signature		Date	Mar 31, 2026
Name	Lynda Whitney	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	3rd Floor Epsom Gateway 2 Ashley Avenue Epsom Surrey KT18 5AL	Name of employer	Aon Solutions UK Limited

Independent auditors' report to the Group Trustee of National Grid Electricity Group of the Electricity Supply Pension Scheme

Report on the audit of the financial statements

Opinion

In our opinion, National Grid Electricity Group of the Electricity Supply Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the Group during the year ended 31 March 2026, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included within the Annual Report and Financial Statements, which comprise:

- the Statement of Net Assets Available for Benefits as at 31 March 2026;
- the Fund Account for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Group Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Group Trustee with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report and Financial Statements other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Group Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Group Trustee for the financial statements

As explained more fully in the statement of Group Trustee's responsibilities, the Group Trustee is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Group Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the Group Trustee is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group Trustee either intends to wind up the Group, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the Group in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the Group Trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets. Audit procedures performed by the engagement team included:

- Testing journal entries where we identified particular fraud risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, and significant contracts and agreements.
- Holding discussions with the Group Trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with applicable laws and regulations.
- Assessing financial statement disclosures, and agreeing these to supporting evidence, for compliance with the Pensions Acts 1995 and 2004 and regulations made under them.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the Group Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 August 2026

FUND ACCOUNT

for the year ended 31 March 2026

	Note	2026 £m	2025 £m
Contributions and benefits			
Employer contributions	**4**	**20.9**	24.0
Employee contributions	**4**	**0.8**	0.2
Total contributions		**21.7**	24.2
Other income	**5**	**1.1**	1.1
		22.8	25.3
Benefits paid or payable	**6**	**(124.0)**	(124.2)
Payments to and on account of leavers	**7**	**(86.3)**	(4.8)
Administrative expenses	**8**	**(3.7)**	(5.8)
		(214.0)	(134.8)
Net withdrawals from dealings with members		**(191.2)**	(109.5)
Returns on investments			
Investment income	**9**	**120.5**	77.8
Change in market value of investments	**10**	**(68.4)**	(140.1)
Investment management expenses	**12**	**(1.5)**	(2.9)
Net returns on investments		**50.6**	(65.2)
Net decrease in the fund		**(140.6)**	(174.7)
Opening Net Assets		**2,278.3**	2,453.0
Closing Net Assets		**2,137.7**	2,278.3

The notes on pages 35 to 48 form part of these Financial Statements.

Statement of Net Assets Available for Benefits

As at 31 March 2026

	Note	2026 £m	2025 £m
Investment assets			
Pooled investment vehicles	**13**	**710.0**	751.3
Insurance policies	**15**	**1,419.8**	1,512.7
AVC investments	**14**	**4.9**	5.4
Cash deposits and other investment balances	**16**	**0.2**	4.9
		2,134.9	2,274.3
Current assets	**21**	**4.0**	5.5
Current liabilities	**22**	**(1.2)**	(1.5)
Total net assets available for benefits		**2,137.7**	2,278.3

The Financial Statements summarise the transactions of the Group and deal with the net assets at the disposal of the Group Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme Year. The actuarial position of the Group, which does take account of such obligations, is dealt with in the report on Actuarial Liabilities on pages 23 and 24 of the Annual Report and these Financial Statements should be read in conjunction with this report.

The notes on pages 35 to 48 form part of these Financial Statements.

These Financial Statements were approved by the Group Trustee on 4 August 2026 and signed on its behalf by:

Stephen Yandle
Chair of National Grid Electricity Group Trustee Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2026

1. General information

The National Grid Electricity Group of the Electricity Supply Pension Scheme is an occupational pension scheme established as a trust under English law to provide retirement benefits for certain groups of employees and its provisions are set out in the Clauses and Rules contained in the Scheme document. The address of the Scheme's principal office is c/o Capita Pension Solutions Ltd, Hartshead House, 2 Cutlers Gate, Sheffield S4 7TL. The contact details for the Group are located in appendix 3.

The Group is a defined benefit (DB) arrangement which is no longer open to new members, but existing members continue to accrue benefits.

The Scheme is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by the Employers are normally eligible for tax relief, and income and capital gains earned by the Scheme receive preferential tax treatment.

2. Basis of preparation of the financial statements

The individual financial statements of National Grid Electricity Group of the Electricity Supply Pension Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised June 2018) ("the SORP").

3. Accounting Policies

The following principal accounting policies, which have been applied consistently, have been adopted in preparation of the Financial Statements.

(a) Currency

The Group's functional currency and presentational currency is pounds sterling (GBP) which is the primary economic environment in which the Scheme operates.

Assets and liabilities in foreign currencies are expressed in sterling at the relevant rates of exchange ruling at the year-end.

Transactions denominated in foreign currencies are translated into sterling at the spot exchange rate prevailing at the date of the transaction.

Gains and losses arising on conversion or translation are shown within the change in market value of investments.

(b) Contributions

Normal contributions, due from the employees and employers, are accounted for on an accruals basis in the month employee contributions are deducted from the payroll.

Supplementary and augmentation contributions from employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such agreement, when received.

Employers' other contributions are accounted for on an accruals basis in the month they are calculated and notified to the payroll team.

Additional voluntary contributions from members are accounted for, on an accruals basis, in the month deducted from the payroll.

(c) Transfers to and from the Group

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers, or payable to the pension scheme of new employers for members who have left the Group.

Individual transfers in or out of the Group are accounted for when member liability is accepted or discharged which is normally when the transfer amount is paid or received.

(d) Benefits

Members can take their benefits in accordance with the Clauses and Rules of the Group. This is generally in the form of a pension and lump sum benefit.

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Where the Group has paid a tax charge incurred through the Lifetime Allowance or Annual Allowance being exceeded, this is included in Benefits paid or payable under Note 6 of the Financial Statements.

(e) Investment Income and Expenditure

Income from any pooled investment vehicles which distribute income, is accounted for on the date stocks are quoted ex-dividend/interest.

The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, changes in market value also includes income, net of any withholding tax, which is reinvested in the fund.

Income from bonds, cash and short-term deposits is accounted for on an accruals basis.

Investment management fees are accounted for on an accruals basis. Acquisition costs are included in the purchase cost of investments. Transaction costs are reflected in sale proceeds. Acquisition and Transaction costs include costs charged directly to the Group such as fees, commissions, stamp duty and other fees.

Income from the bulk annuity purchase policy to pay the benefits of insured members is accounted for within investment income when received by the Group from the insurer.

(f) Investments

Investments are valued on the basis of the bid price (or, if unavailable, the most recent transaction) on the relevant stock market.

Pooled investment vehicles are valued at the closing bid price if both bid and offer prices are published, or, if single priced, at the closing single price obtained by the Custodian.

Unquoted securities are valued by the fund managers at the year-end in accordance with generally accepted guidelines.

The value of pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Group Trustee. Where the value of the pooled investment vehicle is primarily driven by fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustments are made.

Additional Voluntary Contribution (AVC) investments are valued using the appropriate valuation treatment for the relevant asset type. Where AVC values at the date of the statement of net assets are not available then AVCs are valued on a cash basis, being the opening balance plus transfers in and purchases and less transfers out and sales.

The bulk purchase annuity is valued by the Scheme Actuary at the amount of the present value related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date.

To arrive at the valuation shown above, the Scheme Actuary has used the value of the scheme liabilities as at 31 March 2026 allowing for actual pension increases at 1 April 2026. Assumptions used to project future benefit payments forward are based on market conditions as at the current valuation date. The assumptions used in the valuation insurance policies are explained in Note 15.

(g) Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group Trustee does not consider there to be any critical accounting judgements in applying the Group's accounting policies.

- **Key accounting estimates and assumptions**

The Group Trustee makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Group, the Group Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Group investments and in particular, those classified in Level 3 of the fair value hierarchy. Explanation of the key assumptions underpinning the valuation of investments are included within (f) above and within Note 18.

Bulk annuities are valued on a fair value basis, reflecting the expected cash flows arising from the annuity contract, discounted using market interest rates. The methodology for calculating the fair value is detailed on the previous page.

(h) Insurance Policies

In 2017 it was decided that it was no longer viable to obtain an actuarial valuation of the Pre-Vesting insurance policies as their value, based on the 2014 valuation, would round down to zero in the Group Financial Statements.

4. Contributions

	2026	2025
	£m	£m
Employer contributions		
Normal	16.6	22.1
Augmentations	0.5	1.9
Other	3.8	-
	20.9	24.0
Employee contributions		
Normal	0.1	0.1
Added Years AVCs*	0.1	0.1
Money Purchase AVCs**	0.6	-
	0.8	0.2
Total	**21.7**	**24.2**

**Additional Voluntary Contributions paid to purchase additional pensionable service.*
***Additional Voluntary Contributions paid to the Group's AVC providers and invested in the open market.*

Employer normal contributions include contributions in respect of salary sacrifice arrangements made available to certain members by the employer (2026: £16.5 million and 2025: £21.6 million).

In accordance with the Schedule of Contributions, the Principal Employer pays contributions in respect of the future accrual of benefits.

Supplementary pensions funding represents Employer contributions to grant additional benefits on early retirement including Rule 32 payments (grant of special terms).

5. Other Income

	2026 £m	2025 £m
Reimbursement of costs	**1.1**	1.1

6. Benefits paid or payable

	2026 £m	2025 £m
Pensions	**114.1**	**115.5**
Commutation of pensions and lump sum retirement benefits	**9.7**	**8.3**
Lump sum death benefits	**-**	**0.3**
Taxation where lifetime or annual allowance exceeded	**-**	**0.1**
AVC lump sums on retirement	**0.2**	**-**
	124.0	**124.2**

7. Payments to and on account of leavers

	2026 £m	2025 £m
Individual transfers out to other schemes	**4.8**	4.8
Bulk transfers out to other schemes	**81.5**	-
	86.3	4.8

The bulk transfer out of the Group relates to the National Grid Electricity System Operator's separation from National Grid plc on 1 October 2024, which formed the new National Energy System Operator (NESO). Subsequently, employees of NESO who were also members of the Group commenced membership of their new pension scheme, the NESO Section of The Pensions Master Plan, on 1 April 2025, and a bulk transfer of their past service benefits accrued with the Group took place on 1 July 2025 comprising a combination of Group assets split proportionately between the Group and the new scheme.

8. Administrative expenses

	2026 £m	2025 £m
Administration, processing and Group Trustee expenses	**0.5**	**0.5**
Actuarial fees	**1.2**	**1.7**
Pension levies	**0.1**	**0.1**
Legal and other professional fees	**1.9**	**3.5**
	3.7	**5.8**

With effect from 1 December 2019, some of the administrative expenses previously met by the Principal Employer have been paid by the Group. Certain administrative expenses of the Group incurred during the year to 31 March 2026 and not directly related to the investment management of the securities and property portfolios, continue to be met by the Employers.

9. Investment income

	2026 £m	2025 £m
Income from bonds	**-**	14.1
Income from pooled investment vehicles	**5.4**	15.4
Annuity income	**115.0**	47.8
Interest on cash deposits	**0.1**	0.5
	120.5	77.8

10. Reconciliation of net investments

	Value at 1 April 2025 £m	**Purchases at cost and derivative payments £m**	**Sale proceeds and derivative receipts £m**	**Changes in market value £m**	**Value at 31 March 2026 £m**
Pooled investment vehicles	751.3	573.1	(638.3)	23.9	710.0
Insurance policies	1,512.7	-	-	(92.9)	1,419.8
AVC investments	5.4	0.7	(1.8)	0.6	4.9
	2,269.4	**573.8**	**(640.1)**	**(68.4)**	**2,134.7**
Cash deposits and other investment assets	4.9				0.2
Net investment assets	**2,274.3**				**2,134.9**

11. Investment transaction costs

Transaction costs are included in the cost of purchases and deducted from sales proceeds in the investment reconciliation detailed on the previous page. Direct transaction costs incurred during the year are $176,489 (2025: nil).

Direct transaction costs had values below the level of rounding required for disclosure. In addition to direct transaction costs, indirect transaction costs are incurred through the bid-offer spread on investments within pooled investment vehicles when units are purchased and sold.

12. Investment management expenses

Investment management fees for Group-specific funds, performance measurement services and investment-related fees of Group advisers are the responsibility of the Group Trustee. The Scheme

Trustee negotiates the custody fees which apply to all portfolios. Investment management and custody fees for Group-specific Funds are shown below.

	2026	2025
	£m	£m
Investment management fees	**0.1**	0.9
Other advisory fees	**1.4**	2.0
	1.5	2.9

13. Pooled investment vehicles

By type	**2026**		2025	
	£m	**£m**	£m	£m
Infrastructure funds		**168.1**		176.2
Fund of Hedge Funds		**-**		2.1
Private Credit		**45.7**		80.7
Property		**8.5**		19.9
*Liability Driven Investments (LDIs)				
Bonds	**575.6**		655.3	
Swaps	**(3.1)**		(44.6)	
Repurchase agreements	**(172.6)**		(268.9)	
Cash and other liquid assets	**13.3**		49.9	
		413.2		391.7
Cash and other liquid assets		**74.5**		80.7
		710.0		751.3

*As at 31 March 2026, the Group held £413.2m in a Liability Driven Investment (LDI) (a sole investor fund) with Insight (2025: £391.7m).

14. AVC investments

Members of the Group can choose to top up their retirement benefits by paying Money Purchase Additional Voluntary Contributions (AVCs) to AVC providers selected by the Group Trustee.

During the Scheme Year, 76 members paid AVCs into insurance companies to obtain further benefits, on a money purchase basis, within the overall allowances set by HM Revenue & Customs. The total number of AVC accounts (including ‘frozen’ accounts) as at 31 March 2026 was 203 (2025: 266). In some cases, members may have two or more accounts.

The accumulated value of the AVCs, as determined by the AVC provider at the time the benefits are taken and subject to any adjustment, is applied upon the member’s retirement or at any time up to age 75, or earlier death, to provide benefits to or in respect of the member. Additional benefits are provided by AVCs on a money purchase basis.

The Group Trustee holds these assets, invested separately from the main Defined Benefit Section investments to secure additional benefits on a money purchase basis for those members electing to pay AVCs. Each member receives an annual statement at year end confirming the amount held in their account and the movements in the Scheme Year.

The aggregate amounts of Money Purchase AVC investments are as follows:

	2026 £m	2025 £m
Aviva	**0.5**	**0.6**
Utmost Life and Pensions	**0.1**	**0.1**
Prudential Assurance Society	**0.2**	**0.3**
Legal & General	**4.1**	**4.4**
	4.9	**5.4**

15. Insurance policies

	2026 £m	2025 £m
Aviva	**1,419.8**	1,512.7

The Trustee effected a Buy-in policy with Aviva on 31 October 2024 to secure the benefits of pensioner and dependant members of the Group. The Policy was funded by the in-specie transfer of Gilts (£1,433.6m) and cash (£219.9m). During the year to 31 March 2026, the Group received £115.0m in equal monthly amounts from Aviva to fund monthly payments to insured pensioners and dependants. The value of the policy at 31 March 2026 was calculated by the Group's Actuary, based on the value of the scheme liabilities as at 31 March 2026 allowing for actual pension increases at 1 April 2026, on the technical provisions basis using the Projected unit method.

The assumptions used in the calculation of the policy were:

Assumption	**Factor used**
Post-retirement discount rate	Gilt yield curve plus 0.25% p.a.
RPI	Difference between UK Government fixed interest and index-linked gilt yield curves
CPI	RPI inflation less 0.8% p.a. pre-2030 and less nil% p.a. thereafter
Rate of pension increases (on benefits in excess of GMPs)	LPI which is equal to RPI inflation, subject to a cap of 5% p.a.
Rate of pension increases on post-5 April 1988 GMPs	CPI inflation, subject to a cap of 3% p.a.
Post-retirement mortality – base table	S4NXA tables with the following scaling factors: Male normal health pensioners and dependants: 90% Female normal health pensioners and dependants: 95% For ill-health retirements the scaling factors above are applied to the S4IXA tables
Post-retirement mortality – future improvements	CMI 2021 with S_K = 7.0, A = 0.50% and a long-term rate of improvement of 1.5% p.a.

16. Cash deposits and other investment balances

	2026 **£m**	2025 £m
Cash deposits and other investment assets		
Cash deposits	**0.1**	3.0
Accrued interest and dividends	**0.1**	1.9
	0.2	4.9

17. Fair value of investments

The fair value of investments has been determined using the following hierarchy:

- Level (1) - Unadjusted quoted price in an active market for identical instruments that can be assessed at the measurement date.
- Level (2) - Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly.
- Level (3) - Inputs are unobservable.

The Group's investment assets and liabilities have been included at fair value within these categories as in the table below.

Pooled investment vehicles which are traded regularly are generally included in level 2. Where the absence of regular trading or the unsuitability of recent transaction prices as a proxy for fair values applies, valuation techniques are adopted, and the vehicles are included in level 3 as appropriate.

The insurance policy (bulk purchase annuity) is valued by the Scheme Actuary at the amount of the present value related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date.

The value of other pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Group Trustee. Where the value of the pooled investment vehicle is primarily driven by fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustments are made. No such adjustments have been made to the valuations at 31 March 2026 or 31 March 2025.

Analysis for the current year-end is as follows:

Level	**(1) £m**	**(2) £m**	**(3) £m**	**2026 Total £m**
Investment assets				
Pooled investment vehicles	-	74.5	635.5	710.0
Cash	0.1	-	-	0.1
Insurance policies	-	-	1,419.8	1,419.8
AVCs	-	-	4.9	4.9
Other investment balances	0.1	-	-	0.1
Net investment assets	**0.2**	**74.5**	**2,060.2**	**2,134.9**

Analysis for the prior year-end is as follows:

Level	(1) £m	(2) £m	(3) £m	2025 Total £m
Investment assets				
Bonds	-	-	-	-
Pooled investment vehicles	-	80.7	670.6	751.3
Cash	3.0	-	-	3.0
AVCs	-	-	1,512.7	1,512.7
Other investment balances	-	-	5.4	5.4
	1.9	-	-	1.9
Net investment assets	**4.9**	**80.7**	**2,188.7**	**2,274.3**

18. Investment risks

Types of risk relating to investments

FRS 102 requires the disclosure of information in relation to certain investment risks.

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk as follows:

- **Currency risk**: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates;
- **Interest rate risk**: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates; and
- **Other price risk**: this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market

The Group Trustee determines its investment strategy after taking advice from a professional investment adviser. The Group has exposure to these risks because of the investments it makes in following the investment strategy set out below.

The following table summarises the extent to which the various classes of investments are affected by financial risks:

	Credit risk	Market risk			2026 value £m	2025 value £m
		Currency	Interest rate	Other price		
Pooled investment vehicles	●	◐	●	●	**710.0**	751.3
Insurance policy	●	○	●	○	**1,419.8**	1,512.7
Cash	●	○	●	○	**0.1**	3.0
Other investment balances	●	○	●	○	**0.1**	1.9
Total					**2,130.0**	**2,268.9**

Note: Figures are subject to rounding.

In the above table, the risk noted affects the asset class [●] significantly, [◐] partially or [○] hardly/ not at all. Further information on the Group Trustee's approach to risk management, credit and market risk is set out below.

Investment Strategy

The Group's investment objective is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the Group payable under the Clauses and Rules as they fall due.

The Group Trustee sets the investment strategy for the Group taking into account considerations such as the strength of the employer covenant, the long-term liabilities and the funding agreed with the Employer. The latest investment strategy is set out in the SIP and accompanying Investment Policy Implementation Document (IPID).

The strategy in place by 31 March 2026 was to hold:

- Return seeking investments comprising infrastructure, property and illiquid credit.
- Matching investments that move in line with the long-term liabilities of the Group. Comprising of an insurance policy which looks to 'match' the liabilities covered by the policy and an LDI portfolio which contains UK and supranational bonds, interest rate and inflation swaps and repurchase agreements, the purpose of which is to hedge against the impact of changes in market expectations for interest rates and inflation on the Group's liabilities (excluding those covered by the insurance policy)

Credit risk

The Group is subject to credit risk because the Group has cash balances and also invests in pooled investment vehicles (and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles). The Group is also indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles.

A summary of exposures to credit risk is given in the following table, the notes below which explain how this risk is managed and mitigated for the different classes:

Investments exposed to credit risk	**2026 £m**	2025 £m
Pooled investment vehicles	**710.0**	751.3
Cash and other net investment assets	**0.2**	4.9

Cash is held within financial institutions which are at least investment grade credit rated.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Group Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of the pooled manager.

Indirect credit risk arises primarily in relation to underlying investments held in the bond pooled investment vehicles. This risk is mitigated by the manager limiting the exposure to any one source of risk. For the pooled LDI vehicle, this includes indirect credit risk associated with the underlying derivatives. Credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Group is subject to risk of failure of the counterparty. This risk is mitigated by collateral arrangements in place where both the Group and its counterparties post collateral to reduce the impact of any counterparty defaulting on their obligations under the derivative contracts held. As at 31 March 2026, the Group held £409.0m (2025: £390.0m) assets that could be used as eligible collateral. The Group's LDI manager also normally requires all counterparties to have a minimum rating of A3 by Moody's, A- by S&P or A- by Fitch.

Type of arrangement	2026 £m	2025 £m
Open-ended investment companies	496.2	497.3
Limited partnerships	213.8	251.9
Cayman Islands exempted company	0.0	2.1
Total	**710.0**	**751.3**

Currency risk

The Group is subject to currency risk because some of the Group's investments are held in overseas markets, either as segregated investments (direct exposure) or via pooled investment vehicles (indirect exposure).

The Group Trustee considers currency risk as part of the overall determination of the investment strategy.

Interest rate risk

The Group is subject to interest rate risk as some of the Group's investments are held in bonds, repurchase arrangements and interest rate swaps (through the LDI pooled vehicle) and cash.

As at 31 March 2026, the Group Trustee has set a benchmark to hedge 95% of its uninsured liability exposure to movement in interest rate as part of its LDI strategy. Under this strategy, if interest rates fall, the value of the matching investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the matching investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

Other price risk

Other price risk arises in the Group's LDI funds as well as in relation to the Group's return seeking portfolio which includes absolute return bonds, multi asset credit, hedge funds and property all held in pooled vehicles.

The Group manages this exposure to other price movements by constructing a diverse portfolio of investments across various markets.

Insurance policy

The Group holds an insurance policy with Aviva, as at 31 March 2026 the policy was valued at £1,419.8m. The insurance policy contributes to the management of funding risk by insuring the relevant members liabilities. The principal risk to the Group in relation to an insurance policy is that an insurer will fail to meet its obligations under the terms of the insurance contract.

The credit risk is limited:

- By the strict regulatory environment in which insurers operate. Aviva are regulated by both the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). The PRA sets rules to ensure that insurers have sufficient capital and reserves to meet their obligations.

- Because the buy-in policies are covered by the Financial Services Compensation Scheme should the insurers become insolvent.

The value of the buy-in relates to the value of the insured liabilities. The indirect risks to the Group therefore include:

- Interest rate risk – a rise in yields will reduce the value of the buy-in.
- Other price risk – the value of the buy-in may fall if there is a decrease in expected inflation or pensioner longevity.

19. Concentration of investments

The table below details investment holdings which exceed 5% of the total value of the net assets of the Group.

	2026		2025	
	£m	**%**	£m	%
Aviva Buy-in	**1,419.8**	**66.4**	1,512.7	66.4
Insight LDI Active 28 Fund	**413.2**	**19.3**	391.6	17.2
KKR Diversified Core Infrastructure Fund	**168.1**	**7.9**	176.2	7.7

20. Employer-related investments

At 31 March 2026 the Group had no direct assets (2025: £nil) invested in National Grid plc or its associated companies. The Group also held no indirect investments (i.e. investments via pooled vehicles) in National Grid plc or its associated companies as at 31 March 2026 (2025: £nil).

21. Current Assets

	2026	2025
	£m	£m
Other debtors	**0.6**	1.9
Cash balances	**3.4**	3.6
	4.0	5.5

All contributions due in accordance with the Schedules of Contributions were paid in full to the Group.

22. Current Liabilities

	2026	2025
	£m	£m
Accrued benefits	**0.6**	**0.4**
Accrued expenses	**0.6**	**1.1**
	1.2	**1.5**

23. Related party transactions

Key management personnel

Total fees of £220,753.20 (2025: £306,291.65) were paid to Group Trustee Directors during the Scheme Year by the Participating Employers. Other than those items disclosed in Note 8 in these Financial Statements, there were no other related party transactions. The Group Trustee Directors who receive pensions from the Group, that are paid in accordance with the Scheme rules, are identified in the list of Group Trustee Directors shown on page 7.

24. Contingencies and commitments

In the opinion of the Group Trustee, the Group has contingent liabilities entered into which are not provided for in these Financial Statements.

In relation to investments, the Group has committed £100m to invest in private credit with CVC, of which £16.5m was transferred to NESO, bringing the total commitment to £83.5m. As at 31 March 2026, £14.9m of capital was available for recycling by CVC. In December 2025, the private credit fund with HPS liquidated its final holding and returned all capital to the Group.

As part of the 2025 actuarial valuation, the Group Trustee has agreed to retain the additional security structure with the Company for the 2022 actuarial valuation. However, for the period until the earlier of 30 June 2029 and the date the next valuation is agreed:

- the relevant deficit has been agreed and fixed at nil; and
- the relevant deficit plus the Investment VAR plus the Longevity VAR has been agreed and fixed at nil.

25. Subsequent events

There were no subsequent events requiring disclosure in the Financial Statements.

APPENDIX 1 – GROUP ADVISERS AND SERVICE PROVIDERS

Secretarial Support Barnett Waddingham LLP	Provides secretarial support to the Group Trustee, covering matters related to finance, investment, governance, and operations.
Group Actuary Lynda Whitney FIA of Aon Solutions UK Limited	Carries out valuations and other funding updates of the Group as required by the Clauses and Rules and legislation, provides all tables and factors for the application of Clauses and Rules and options, and advises on all matters relating to pension scheme funding.
Consulting Actuary Aon	Provides actuarial advice to the Group Trustee on matters that are not covered by the Group Actuary.
Independent Auditors PricewaterhouseCoopers LLP	Reports on the audit of the Group Financial Statements.
Scheme Custodian The Bank of New York Mellon	Maintains safe custody of the Scheme's assets.
Investment Adviser Aon	Advises the Group Trustee on all investment matters including the Statement of Investment Principles.
Legal Advisers DLA Piper UK LLP	Advises on legislative requirements and application of the provisions of the Group in particular circumstances.
Covenant Adviser PricewaterhouseCoopers LLP	Advises on the strength of the Company and its covenant and how this may impact the Group's funding.

Investment Managers
Aviva Life & Pensions UK Limited
CBRE Global Investors Limited
CVC Credit Partners
HPS Investment Partners
Insight Investment
JP Morgan Alternative Asset Management
KKR

Additional Voluntary Contributions (AVCs)
The AVC providers* for the Group are:

Aviva Investors
Legal & General
Prudential Assurance Society
Utmost Life and Pensions

**Since 1 December 2018, new contributors can only pay AVCs to Legal & General.*

APPENDIX 2 – GLOSSARY OF TERMS

Listed below are brief explanations of terms used within the Financial Statements that may not be familiar to all members.

Pension glossary	
Actuarial deficit	The actuarial valuation of the Group's assets is less than its actuarial liability meaning that there are insufficient assets to meet the future pensions provision of the Group.
Back Service Credits	The period which a Member has been granted under the Clauses and Rules for the purpose of being reckoned as Contributing Service as defined under the Clauses and Rules.
Bulk transfers	The transfer of a number of members from one occupational pension scheme to another or from one Group of the ESPS to another. Generally, this will occur if there has been a merger, sale or purchase of a business and the new Employer wishes to amalgamate pension arrangements.
Commutation	The exchange of expected pension benefits for a cash lump sum.
Deficit repair contributions	A single payment or a series of payments made by the Employer in order to make good the actuarial shortfall caused by projected pension liabilities being in excess of assets.
Discontinuance funding ratio	Shows the Group Actuary's estimate of the proportion of the value of the Group's assets which represents the costs of buying out the accrued benefits with an insurance company.
Guaranteed Minimum Pension (GMP)	The Guaranteed Minimum Pension (GMP) is the minimum pension which a United Kingdom occupational pension scheme has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS) between 6 April 1978 and 5 April 1997
Money Purchase basis	The calculation of an individual member's benefits by reference to the value of the contributions paid into a pension scheme in respect of that member.
Pension Protection Fund (PPF)	The Board of the Pension Protection Fund is a statutory fund in the United Kingdom, intended to protect members if their pension fund becomes insolvent. It was created under the Pensions Act 2004
Rule 32 Payment	The payment of special contributions (whether in relation to benefits, contributions or otherwise) by the Principal Employer, without limitation, in respect of Back Service Credits and/or Added Years to or in respect of one or more individuals (excluding Enhanced Protection Members).
S4NMA / S4NFA	Reference numbers for CMI (Continuous Mortality Investigation) mortality tables.
State Second Pension	Additional pension benefits purchased through National Insurance Contributions to enhance the Basic State Pension by those people not 'contracted out' through membership of a private or company pension

	scheme. This was formerly known as the State Earnings Related Pension Scheme (SERPS) and was re-named from 6 April 2002.
State Graduated Pension Scheme	The State Graduated Pension Scheme which commenced on 3 April 1961 and terminated on 5 April 1975 being replaced by SERPS.
Supplementary pensions funding	Contributions made by Employers or members to provide additional or 'top-up' pension benefits.
Transfer Values received	Transfers of monies from another pension scheme, so that a member can augment their pension benefits from the ESPS.
Investment glossary	
Bond	A debt investment or a form of loan to a government, company or other body. Typically, the investor should receive a regular 'coupon' (i.e. interest payment) and the return of the principal sum originally lent when the bond matures. Bonds are bought and sold between investors and the price of a bond may at any time be higher or lower than the principal, depending on market conditions.
Derivative	A derivative is a financial contract between two parties whose value is derived from an underlying asset's price or an index based on asset prices. Underlying assets are typically equities, bonds, interest rates, exchange rates and stock market indices. The main types of derivatives used by pension schemes are: - futures contracts - forward foreign exchange contracts - options - swaps A derivative can be exchange traded or traded over the counter.
Equities	A stock of other security representing an ownership interest in a company.
Exchange traded	An exchange traded security is purchased or sold through a registered exchange (e.g. a stock exchange) which provides trading facilities.
Forward foreign currency contract (FFX)	A forward foreign exchange contract is an over the counter transaction whereby two parties agree to exchange two different currencies at an agreed rate of exchange on a specific date in the future.
Futures Contract	A contract which legally binds two parties to complete a sale or purchase of an asset at a specified future date and at a price which is fixed at the time the contract is agreed.
Gilts	Bonds issued by the UK Government.
Initial Margin	Before entering into a futures contract, a deposit is required which is referred to as the initial margin. This deposit may be in the form of cash or other assets, such as securities. The margin is required to protect parties against possible losses arising from the futures contract.
IPD	Investment Property Databank is an independent organisation that collates and publishes information about performance of the commercial

	property sector. The IPD provides a benchmark against which the performance of property assets can be monitored.
LDI	Liability Driven Investment. An investment strategy that has a benchmark that is specific to the liabilities of the pension scheme. The objective is that the changes that occur in the value of the investments will be closely related to the changes in the value of the liabilities.
LIBID	London Inter-Bank Bid Rate. This is the rate of interest at which banks are willing to pay to borrow from each other for a specified period – normally one day. The rate fluctuates dependent on the supply and demand of funds.
LIBOR	London Inter Bank Offered Rate. This is the rate of interest banks charge each other for loans for one-month, three-month, six-month and one-year loans. It is fixed on a daily basis by the main UK banks though it changes all the time as banks agree transactions involving large amounts of funds.
Longevity Hedge	This is a derivative contract that offsets the risk of pension scheme members living longer than expected. This is a scheme that makes regular payments based on agreed mortality assumptions to an investment bank or insurer and, in return, the bank or insurer pays out amounts based on the scheme's actual mortality rates.
Managed Funds	A managed fund is an investment contract which offers participation in one or more funds operated on similar lines to unit trusts. The range of managed funds available includes gilts, index-linked securities, equities, cash deposits, property, and mixed funds. Typically, managed funds relate only to a unitised fund under a policy of assurance from a life assurance company.
Options	An option is a contract which give the purchaser the right, but not the obligation, to buy (call option) or sell (put option) a standard specified nominal amount of an asset at a specific date or range of dates in the future at a specified price. Options may be exchange traded or over the counter (OTC).
Over the Counter (OTC)	An over the counter (OTC) security is traded between two individual counterparties rather than on an exchange. There is no standardisation of contract specifications so the size of the contract, the settlement date and price are all negotiable.
Property Authorised Investment Fund (PAIF)	A property authorised investment fund is a tax-efficient vehicle in the UK that allows funds to pay gross dividends from property rental income with no corporation tax deducted.
Pooled Investment Vehicle	A fund in which several investors participate. The assets are not held directly in the name of individual clients but form part of a 'pool'. Unit trusts are a common example of a pooled investment vehicle. Investors hold units in the pooled fund. The value of individual units is determined by the value of the underlying assets of the fund.

Segregated Funds	In the ESPS, investment portfolios which are specific to a particular Group and may be comprised of individual securities or take the form of a pooled investment vehicle.
SETS	London Stock Exchange Electronic Trading Service. An automated trading system used by the largest companies quoted on the London Stock Exchange.
SONIA	Sterling Overnight Index Average. This index is based on actual transactions and reflects the average interest rates that banks pay to borrow sterling. It is used for overnight funding for trades that occur out of office hours and provides a benchmark interest rate for short-term financial transactions.
Stock Lending	The temporary transfer of securities by a lender to a borrower, with an agreement that the borrower will return equivalent securities to the lender either on a pre-agreed future date or on demand. In return the lender receives a fee for making the securities available to the borrower.
Spreads	A spread is the difference between the bid and the ask price of a security or asset.
Swaps	A swap is an OTC transaction whereby the parties to the contract agree to exchange cash flows according to the terms agreed at the outset of the swap. The amount of the cash flow is generally determined by reference to an underlying asset, index, instrument or notional amount.
Variation Margin	Amounts payable under futures contracts – to ensure that deposits/ (margins) are maintained at contractually agreed levels as the value of the underlying asset changes.

APPENDIX 3 - CONTACT DETAILS (INCLUDING EXTERNAL BODIES)

Addresses for enquiries

General Enquiries about pensions policy, requests for a copy of the Statement of Investment Principles etc, should be addressed to:

NGE Group Trustee Services
Barnett Waddingham
3 Devon Way
Longbridge
Birmingham
B31 2TS

Email: NGEGESPS@barnett-waddingham.co.uk

Enquiries about benefits should be addressed to the administrators:

Broadstone (formerly Railpen)
2 Rye Hill Office Park
Birmingham Road
Allesley
Coventry
CV5 9AB

Telephone: 02476 472 540
Email: ngeg@broadstone.co.uk
Website: www.broadstone.co.uk

Further information about the Group, including general information regarding the benefits it provides and a number of Group documents (such as the Statement of Investment Principles), can be found on the Group's website, which can be accessed via www.ngeg.pensions.nationalgrid.com.

Pension legislation requires occupational pension schemes to have procedures in place to resolve disputes arising from the running of their pension scheme. Details of the Group's Internal Dispute Resolution procedure can be obtained from the Group Administrator.

Contact details for external bodies

Money & Pensions Service & MoneyHelper

MoneyHelper is designed to help members of the public make their money and pension choices clearer with impartial guidance backed by the Government.

MoneyHelper
Money and Pensions Service
120 Holborn
London
EC1N 2TD

Pensions Helpline:	0800 011 3797 or +44 20 7932 5780
Money Helpline:	0800 138 7777 or +44 20 3553 2279
Website:	www.moneyhelper.org.uk

Pension Wise

Pension Wise is a Government service provided by MoneyHelper that offers individuals free tailored guidance, online, over the telephone or face to face regarding UK-based pensions:

- to explain what options are available and how to make the best use of pension savings;
- information on the tax implications of the different options and other important considerations; and;
- how to look out for scams and what to do next.

Telephone: 0800 138 3944 or +44 20 3733 3495
Website: www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise

Pensions Ombudsman

The Pension Ombudsman is available to help members and beneficiaries of occupational pension schemes resolve any difficulties they may have encountered and which they have failed to resolve with the trustees or administrators of schemes. The Pension Ombudsman may be contacted either while a complaint is being reviewed under the dispute resolution procedure or if the complainant is not satisfied with the response received from the Group Trustee under the second stage of the procedure. The Ombudsman can investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The services of the Ombudsman are available to the members, beneficiaries and prospective members of pension schemes.

The Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
London
E14 4PU

Telephone: 0800 917 4487 or +44 207 630 2200
Website: www.pensions-ombudsman.org.uk
Email: enquiries@pensions-ombudsman.org.uk

The Department for Work and Pensions (DWP) Pension Tracing Service

The purpose of the DWP's Pension Tracing Service is to provide a tracing service for ex-members of schemes and their dependants with pension entitlements who have lost touch with earlier employers and their schemes. The ESPS is registered with the DWP under Scheme reference number 10200656.

The Pension Tracing Service can be contacted at:

The Pension Service
Post Handling Site A
Wolverhampton
WV98 1AF
United Kingdom

Telephone: 0800 731 0193 or +44 191 215 4491
Website: www.gov.uk/find-pension-contact-details

Engagement Policy Implementation Statement ("EPIS")

National Grid Electricity Group of the Electricity Supply Pension Scheme (the "Group")

Group Year End – 31 March 2026

The purpose of the EPIS is for us, the Trustee of the National Grid Electricity Group of the Electricity Supply Pension Scheme, to explain what we have done during the year ending 31 March 2026 to achieve certain policies and objectives set out in the Statement of Investment Principles ("SIP"). It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Group's investments have been followed during the year; and

2. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the 'most significant' votes cast over the reporting year.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

In our view, most of the Group's material investment managers were able to disclose adequate evidence of voting and/or engagement activity, and the activities completed by our managers align with our stewardship expectations.

A few managers, as outlined later in the report, did not provide any requested engagement information, or the information provided was limited and/or not in line with what our Investment Adviser considers to be best practice. However, the limited provision of data is common for private market funds such as KKR and CVC.

We (or our Investment Adviser, Aon Investments Limited ("Aon") on our behalf) will engage with the managers, in which the Group is expected to remain invested, to encourage them to provide detailed and meaningful disclosures about their engagement activities, and learn how they incorporate financially material Environmental, Social and Governance ("ESG") factors into their stewardship policies.

How engagement policies have been followed

The Group is invested in pooled funds, and so the responsibility for voting and engagement is delegated to the Group's investment managers, which is in line with the policies set out in our SIP. We reviewed the stewardship activity of the material investment managers carried out over the Group year and in our view, most of the investment managers were able to disclose adequate evidence of engagement activity. More information on the stewardship activity carried out by the Group's investment managers can be found in the following sections of this report.

Over the reporting year, we monitored the performance of the Group's investments on a quarterly basis and received updates on important issues from our investment adviser, Aon. In particular, we received quarterly ESG ratings from Aon for the funds the Group is invested in where available. These ratings included consideration of stewardship activities (including voting and engagement) undertaken by managers on behalf of investors such as the Group Trustee.

Each year, we review the engagement policies of the Group's investment managers to ensure they align with our own policies for the Group and help us to achieve them.

The Group's stewardship policy can be found in the SIP:
https://ngeg.pensions.nationalgrid.com/Uploads/Documents/00/00/11/21/DocumentDocument_FILE/SIP-2024.pdf

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental Social Governance ("ESG") issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Our Engagement Action Plan

Based on the work we have done for the EPIS, we have decided to take the following steps over the next 12 months:

1. We recognise that the investment processes and the nature of some of our alternative investments may mean that stewardship is less practicable for these types of strategy. Nevertheless, we expect our managers to provide reporting on stewardship activities in line with what Aon considers to be best practice and industry standard. Both we and Aon will continue to engage with the fund managers in which the Group is expected to remain invested, to encourage improvements in their reporting. We will continue to invite select investment managers to future meetings to get a better understanding of their voting and / or engagement practices, and how these help us fulfil our Responsible Investment policies.

2. We will continue to undertake regular ESG monitoring of our managers, including our bulk annuity provider, to ensure their actions align with our own policies.

Our manager's voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Group's investments is an important factor in deciding whether a manager remains the right choice for the Group.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Group's equity-owning investment manager to responsibly exercise its voting rights.

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues.

Source: UN PRI

Voting statistics

The table below shows the voting statistics for the Group's material Additional Voluntary Contribution ("AVC") fund with voting rights for the year to 31 March 2026.

Fund	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
L&G - Global Equity Market Weights (30:70) Index Fund	76,354	100.0%	19.1%	1.4%

Source: Investment manager. Please note that the 'abstain' votes noted above are a specific category of vote that has been cast and are distinct from a non-vote.

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Group's investment manager uses proxy voting advisers.

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

Manager	Description of use of proxy voting adviser(s) *(in the manager's own words)*
Legal & General Asset Management ("L&G")	Votes are cast according to our instructions, guided by our voting policies and effected through an electronic voting platform called 'ProxyExchange', which is managed by Institutional Shareholder Services ("ISS"). We have developed a granular custom voting policy with specific voting instructions driven by our expectations. In parallel to applying our custom voting policy, we use the voting information services of ISS and receive research reports for all companies in our equity portfolios. We undertake quarterly performance management reviews with ISS in which we discuss issues such as timeliness, the quality of their research and the application of our voting policy. During these meetings, we receive delivery statistics and discuss changes to team resources. We deliberate on specific instances where our expectations have not been met and review possible solutions to avoid future repetition. We escalate issues to senior individuals at ISS where necessary. We also have regular meetings with ISS to discuss the implementation and evolution of our policies, as part of our process to ensure that our voting decisions remain aligned to market best practices and evolving regulations.

Source: Investment manager

Significant voting example

To illustrate the voting activity being carried out on our behalf, we asked the Group's investment manager to provide a selection of what it considers to be the most significant votes in relation to the Group's most material AVC fund. An example of a significant vote can be found in the appendix.

Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Group's material investment managers. The managers have provided information for the most recent calendar year available.

Funds	Number of engagements		Themes engaged on at a fund level
	Fund level	**Firm level**	
CBRE - Global Investors UK Property PAIF	*Not provided*	*Not provided*	Environment - Climate Change
CVC - Credit Partners EU Direct Lending Fund	100% of portfolio companies have been engaged with around ESG issues.	*Not provided*	CVC engage with portfolio companies from a bottom-up perspective, collecting data through provision of questionnaires and looking to use ESG margin ratchets as a tool to target specific KPIs for improvement given the individual portfolio companies business focus.
Kohlberg Kravis Roberts & Co. ("KKR") - Diversified Core Infrastructure Fund	*Not provided*	*Not provided*	Environment - Climate; GHG Emissions Reduction & Sustainability Management Social - Health & Safety Governance
L&G - Global Equity Market Weights (30:70) Index Fund	1,759	3,762	Environment - Climate Change; Natural Resource Use/Impact Social - Human Capital Management; Inequality Governance - Strategy, Financial and Reporting; Remuneration; Board Effectiveness - Other Other - Multiple ESG Topics

Source: Investment managers

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- CBRE did not provide any firm or fund level engagement statistics. The manager stated that the firm and its property managers engage with tenants on behalf of the firm and do not track statistics on individual engagements. The Group Trustee is in the process of redeeming from this Fund, and it is not anticipated to be an ongoing Group investment.
- CVC did not provide the number of engagements at either a fund-level or a firm-level. This is typical for private market funds. However, the manager did provide information on its ESG policy which sets out how it approaches ESG considerations as part of its investment process.

- KKR did not provide the number of engagements at either fund-level or firm-level. The manager also stated that it does not track its engagements with the portfolio companies. This is typical for private market funds.

This report does not include commentary on the Group's gilts or cash because of the limited materiality of stewardship to these asset classes. Further, this report does not include all of the Group's AVC Funds due to the relatively small proportion of the Group's assets that are held within the other available AVC Funds.

Appendix – Significant Voting Example

In the table below is an example of a significant vote as provided by the Group's investment manager, in the manager's own words. Each manager has their own criteria for determining whether a vote is significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below:

L&G - Global Equity Market Weights (30:70) Index Fund	**Company name**	Shell Plc
	Date of vote	20 May 2025
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.8
	Summary of the resolution	Resolution 22: Request Company Disclose Whether and How Its: Demand Forecast For Liquified Natural Gas ("LNG"); LNG Production And Sales Targets; And New Capital Expenditure In Natural Gas Assets; Are Consistent With Climate Commitments, Including Target To Reach Net Zero Emissions By 2050
	How you voted?	Votes against resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	L&G's Asset Management business publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an Annual General Meeting ("AGM") as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Shareholder resolution - Climate change: While we recognise the intent behind Resolution 22, we have decided to vote against it following careful consideration. This decision follows a series of constructive engagements with Shell's leadership, during which the company committed to improving disclosures on stranded asset risks and financial resilience related to its Liquefied Natural Gas ("LNG") operations. We acknowledge meaningful progress in Shell's reporting, which now provides a clearer basis for assessing climate-related risks. In light of these developments, we believe the resolution's key objectives are being addressed through ongoing company actions.
	Outcome of the vote	Fail
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	L&G's Asset Management business will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be most significant?	Pre-declaration: This shareholder resolution is considered significant. We recognise the underlying merit of this resolution, after careful consideration, we have made the decision to vote against. This decision is underpinned by a series of direct and constructive engagements with Shell's leadership. Through these discussions, we received clear commitments that the company will enhance its reporting in line with L&G's expectations specifically, providing detailed disclosures on stranded asset risks and financial resilience related to Shell's growing exposure LNG. These gaps were key reasons we were unable to support the company's climate transition strategy at its 2024 AGM. Following a detailed analysis of the company's disclosures, we believe Shell's current reporting provides a basis for investors to consider alignment with various climate outcomes, contributing to the broader objectives of the resolution.

Source: Investment manager