

Statement of Investment Principles

National Grid UK Pension Scheme

Effective on and from 31 March 2026

Introduction

1. This Statement of Investment Principles (the 'SIP') sets out the investment objectives of National Grid UK Pension Scheme Trustee Limited as Trustee (the 'Trustee') of the National Grid UK Pension Scheme (the 'Scheme') and the principles governing how investment decisions and stewardship considerations are made for the Scheme, which is now made up of one remaining section.
2. The SIP has been prepared as required under Section 35 of the Pensions Act 1995, as amended by the Pensions Act 2004 and regulations made under it, and with regard to the requirements of the Pensions Act 2004 concerning diversification and suitability of investments.
3. The sole responsibility for deciding investment policy lies with the Trustee.
4. In preparing the SIP, the Trustee has consulted the sponsoring employer of the Scheme and the Trustee has obtained and considered written advice from the Master Manager.
5. The Trustee will review the SIP at least once a year and without delay after any significant change in investment policy.
6. The assets and liabilities of two former sections of the Scheme (Sections B and C) have been transferred to other pension schemes. Section A is now the only remaining active section of the Scheme and is therefore referred to in this Statement as the Scheme.

Scheme objectives

7. The primary objective of the Trustee is to meet its obligations to beneficiaries of the Scheme, by means of:
 - Maintaining a long-term journey plan target.
 - Acquiring assets of suitable liquidity that would be expected to generate sufficient income and capital growth, together with new contributions from members and the sponsoring employer, to meet the cost of current and future benefits.
 - Limiting the risk of the Scheme's assets failing to meet its liabilities over the long term, in particular in relation to any statutory funding requirements.
 - To minimise the long-term costs by maximising the return on the assets while having regard to other objectives.

Investment strategy

8. The investment strategy should be consistent with the funding plan and objectives set out in the most recent Statement of Funding Principles. The Trustee will monitor the liability profile

of the Scheme and will review the appropriateness of its investment strategy at least every three years in conjunction with the Master Manager and the Scheme Actuary.

9. The Trustee will also consult with the sponsoring employer on key elements that make up the investment strategy, including but not limited to; the evolution of the interest and inflation rate hedging arrangements, the expected portfolio returns to be targeted, and the risk budget the Scheme will work to.
10. In addition, the Trustee is mindful of the need to review the investment strategy's performance and risk regularly, and to amend the Scheme's portfolio as appropriate.
11. The balance of investments will be reviewed regularly, maximising the chance of achieving the Trustee's investment objectives and ensuring that investments are adequately diversified.
12. The Trustee has elected to invest in buy-in policies to insure a proportion of the benefits for the Scheme. The remaining investments consist predominantly of investments admitted to trading on regulated markets. Investments not traded on such markets are kept to a prudent level.
13. The Trustee will ensure that sufficient cash is held to meet the likely benefit payments. There should be sufficient investments in liquid or readily realisable assets to meet unexpected cash flow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Scheme's overall investment strategy.

Master Manager, Investment Managers and Custodian

14. The Trustee has delegated the day-to-day management of the Scheme's assets to the Master Manager under an Investment Advisory and Management Agreement. The Master Manager is authorised and regulated by the Financial Conduct Authority under the Financial Services and Markets Act 2000.
15. The Master Manager's role, amongst other things, is to manage and monitor the Investment Manager(s) and the Custodian, subject to rights of veto that the Trustee has, which are reviewed from time to time.
16. The Trustee delegates the responsibility for selection of specific investments to appointed Investment Manager(s). The Investment Manager(s) provide the skill and expertise to manage the investments of the Scheme competently and, if deemed beneficial, further delegate this responsibility by appointing additional Investment Manager(s). The Trustee, the Master Manager and Investment Managers do not borrow money or act as guarantor for the purpose of providing liquidity (unless it is temporary).
17. The Scheme uses many different investment managers and mandates to implement its investment policies. The composition of investment managers and mandates is delegated to the Master Manager, as is the ongoing management and oversight. The Master Manager ensures that, in aggregate, the portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005).
18. The Master Manager also ensures that the investment objectives and guidelines of any particular pooled vehicle are consistent with the Trustee policies, where relevant to the mandate in question. Where segregated mandates are used, the Master Manager will use

its discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement between the Scheme and Investment Manager(s) to ensure consistency with the Trustee's policies, where relevant to the mandate.

19. The Master Manager has delegated authority to appoint and/or terminate mandates and/or Investment Manager(s). Any changes will be summarised to the Trustee in advance of implementation to enable the Trustee right to veto.
20. Should the Master Manager's monitoring process reveal that an Investment Manager's portfolio is not aligned with the Trustee's policies, the Master Manager will engage with the Investment Manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG (environmental, social and governance) characteristics of the portfolio and Investment Manager's engagement activities. If, following its engagement with the Investment Manager, it is the view of the Master Manager that the degree of alignment remains unsatisfactory, the Master Manager will notify the Trustee of proposed portfolio changes and, subject to the Trustee right of veto, the Investment Manager will potentially be terminated.
21. For most of the Scheme's investments, the Trustee expects the Investment Manager(s) to invest with a medium to long-time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee invests in certain mandates where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making. The appropriateness of the Scheme's allocation to such mandates is determined in the context of the Scheme's overall objectives.
22. Investment Managers are appointed with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing an Investment Manager's performance, the focus is on longer-term outcomes, and a manager's appointment is not expected to be terminated (with termination decisions undertaken as per section 18 above) based purely on short-term performance. However, an Investment Manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or investment team.
23. The Trustee's fee arrangements are in line with normal market practice. The Master Manager and all Investment Managers are paid an ad valorem fee for a given scope of services, which includes consideration of long-term factors and engagement. Some legacy private market managers also receive an additional performance fee. It is the Trustee's view that fees linked to investment performance increase complexity and in most cases do not materially improve alignment with long-term objectives. Such fee structures are therefore only used in a limited number of new cases.
24. The Trustee reviews the costs incurred in managing the Scheme's assets regularly. In assessing the appropriateness of costs at an individual manager level, the Master Manager will compare these with the expected costs for the given mandate.
25. All exchange-traded investments will be held by an external custodian (the 'Custodian') appointed by the Trustee. The Master Manager is responsible for the day-to-day monitoring of the activities of the Custodian and providing advice on changes as appropriate.

Risks

26. The Trustee is concerned to manage risk by identifying, controlling and monitoring potential risks, and regularly reviewing its policies and procedures. The Master Manager performs

regular checks and provides inputs to the Integrated Risk Management Committee, amongst other things.

27. The Trustee recognises a number of risks involved in the investment of the Scheme's assets, including:

- Strategic investment risk:
 - Measured by the difference in the actual return on the investment portfolio vs the reference level of return.
 - Managed via regular review in the awareness that the investment portfolio may not evolve as expected or indeed may fall in value.
- Deficit risk:
 - Measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies.
 - Managed through assessing the progress of the actual growth of the liabilities relative to the selected investment policy.
- Manager risk:
 - Measured through a combination of quantitative and qualitative factors including performance against their respective investment objectives.
 - Managed by monthly monitoring of the return of the specific mandates and quarterly assessment of managers' investment process.
- Liquidity risk:
 - Measured by the level of cashflow required by the Scheme over a specified period.
 - Managed by Scheme's Master Manager, assessing the level of cash held in order to limit the impact of the cashflow requirements on the investment policy and through holding assets of appropriate liquidity.
- Currency risk:
 - Measured by the level of exposure to non-Sterling denominated assets.
 - Managed by the implementation of a currency hedging programme (through a combination of a segregated currency hedging overlay and currency hedging carried out by some of the Investment Managers) which reduces the impact of exchange rate movements on asset value.
- Interest rate and inflation risk:
 - Measured by comparing the exposure in the Scheme's liabilities and assets to movements in inflation and interest rates.
 - Managed by holding a portfolio of matching assets (physical bonds and/or derivatives) that enable the assets to better match movements in the value of the liabilities due to inflation and interest rates.
- Collateral risk:
 - Measured by assessing the collateral available to support the management of interest rate and inflation risk.
 - Managed by ensuring there is sufficient allocation to readily liquid and collateral eligible assets and identification of further assets that can be liquidated should there be a need to increase the allocation.
- Political risk:

- Measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political events.
 - Managed by regular reviews of the actual investments relative to policy and through the level of diversification within the existing policy.
- Sponsor risk:
 - Monitored by considering the level of ability and willingness of the sponsoring employer to support the continuation of the Scheme and to make good any current deficit.
 - Managed by assessing the interaction between the Scheme and the sponsoring employer, as measured by a number of factors. These include the credit worthiness of the sponsoring employer, and the size of the Scheme's pension liability relative to a number of metrics reflecting the financial strength of the sponsoring employer.
- Counterparty risk:
 - Measured through a combination of market indicators (credit ratings and credit default swap spreads) and qualitative considerations.
 - Managed by having a diverse range of counterparties and through the negotiation of a suitable collateralisation process, or alternative approaches where appropriate. The Trustee has delegated the measurement and management of counterparty risk at the specific investment level to the relevant Investment Managers.
- Custodian risk:
 - Measured by assessing the creditworthiness of the Custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.
 - Managed by ongoing monitoring of the custodial arrangements against pre-agreed service levels and regular reporting to the Trustee.
- ESG risk:
 - Measured the potential impact of ESG issues on realised and expected returns.
 - Managed by ongoing monitoring of portfolio ESG metrics, as well as the assessment of the Investment Managers' policies on responsible investing and active ownership.

Responsible Investment

28. The Trustee believes that investing sustainably is consistent with the Scheme's mission of taking full account of longer-term return drivers and risk. In particular, the Trustee believes climate change to be a systematic, long-term material financial risk to the value of Scheme assets, as well as impacting on the Scheme's liability profile and sponsor covenants.
29. By exercising good investor stewardship and by taking financially material ESG factors, including climate change, into account in its investment process, the Trustee believes the Scheme is better positioned to deliver the required long-term investment objective of reaching self-sufficiency in line with target journey plans. Accordingly, the Trustee maintains a Responsible Investment Policy to support the implementation of the principles set out in this statement.
30. The Trustee has delegated the day-to day investment decisions in relation to responsible investment to the Master Manager, having reviewed the Master Manager's approach to ESG considerations as part of their appointment. More specific details on the Master Manager's approach to responsible investment are available in their Investment Stewardship Report [here](#).

31. The Trustee are satisfied that ESG considerations are integrated into the selection, retention and realisation of investments and are included in any manager selection and retention exercise as part of both the investment and operational due diligence processes.

Stewardship – Voting and Engagement

32. The Trustee is aware of its role as a responsible steward of capital and the need to assess all financially material risks which include the risks with climate change as well as other ESG-related factors. The Trustee believes that having a high standard of governance, promotion of corporate responsibility and appreciation of environmental factors will be additive and will help protect long term financial value.
33. The Trustee believes that active ownership (voting and engagement) is the most appropriate channel to promote positive ESG practices. All of the Scheme's assets are managed externally by the appointed Investment Managers and overseen by the Master Manager. As such, the Trustee delegates active ownership to the Investment Managers, and delegates the responsibility for overseeing the Investment Managers' active ownership practices to the Master Manager.
34. The Master Manager monitors the voting and engagement approach of the Investment Managers who are expected each to vote on their portfolio holdings in line with their internal voting policies (which are reviewed by the Master Manager periodically) and relevant recognised standards (e.g. the UK Stewardship Code).
35. The Trustee reviews and from time to time will request and review certain policies of the Master Manager that are considered relevant by the Trustee to consider the extent to which they align with the Trustee's policies. Where the Trustee identifies any inconsistency, the Trustee will engage with the Master Manager to consider how to promote alignment between the respective investment policies.
36. The Trustee expects the Master Manager to: (i) be a signatory to the UN PRI Code and (ii) provide adequate transparency around stewardship including an annual report on stewardship activities undertaken.
37. The Trustee works with the Master Manager to periodically consider and agree on key engagement themes that should be prioritized. The intention is that these themes become the key focus for engagements with Investment Managers and that they are adequately reflected in the Investment Managers' own stewardship activities and reporting relating to the Scheme's underlying investments.

At the time of writing, the Scheme's engagement activity will focus on the following key themes, aligned with the Master Manager's engagement framework. Governance is positioned as the foundation of the engagement programme, recognising that strong governance underpins progress across environmental and social outcomes.

- Governance themes (over-arching foundation)
 - Board Compensation & Accountability: Promote strong, independent, and diverse boards that provide effective oversight, exercise independent judgement, and offer strategic guidance in the long-term interests of shareholders and stakeholders.
 - Executive Compensation: Promote fair, transparent, and performance-linked executive compensation structures that align management incentives with long-term shareholder value and sustainable business outcomes.
 - Responsible AI & Digitalisation: Promote effective responsible governance and board oversight of digital technologies, including AI, data privacy, and cybersecurity, so companies adopt transparent, ethical, and risk-aware digital strategies with appropriate controls.
 - Shareholder Rights: Encourage fair treatment of shareholders and meaningful board accountability.
 - Transparency: Encourage clear, consistent and verifiable disclosure that enables investors to assess governance quality, material risks and progress against strategy and sustainability objectives, aligned with recognised reporting standards.
 - UN Global Compact (UNGC) Compliance: Encourage alignment with the UN Global Compact principles and appropriate remediation of breaches.
- Environmental themes
 - Natural Capital Management: Encourage sustainable management of natural resources and biodiversity across operations and value chains, integrating resource efficiency and circular economy principles to protect long-term resilience.
 - Climate Change Resilience: Encourage identification, management and disclosure of climate-related risks and opportunities, integration into strategy and governance, and credible transition planning and targets consistent with recognised frameworks.
- Social Themes
 - Human Capital Management: Promote effective human capital management practices that attract, develop, and retain talent; foster employee wellbeing and engagement; and embed diversity, equity, and inclusion (DEI) as a cornerstone of workforce strategy and culture.

Human Rights: Promote respect for and protection of human rights across company operations and value chains, ensuring transparent disclosure, effective governance, and robust due diligence processes aligned with international standards.

38. The Trustee will engage with the Master Manager as necessary for more information to ensure that robust active ownership behaviors, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Scheme members via the Implementation Statement.

39. The Master Manager has confirmed to the Trustee that it is a signatory to the UK Stewardship Code 2026.

Monitoring and reporting

40. The Trustee aims to monitor the impact and progress of its responsible investing activities.

41. The Master Manager reports quarterly on the overall responsible investment position, including key ESG metrics. Furthermore, they oversee and report on developments at the Investment Manager(s) in relation to their responsible investing and ESG integration

processes. The Investment Manager(s) report quarterly to the Master Manager on their proxy voting and engagement activities where relevant.

Non-financial factors

42. The Trustee does not take into account non-financial matters in the selection, retention and realisation of investments. The Trustee does assess matters it considers to be financially material, this includes risks related to climate change and other ESG-related factors.

Other matters

43. The Scheme is registered with His Majesty's Revenue and Customs under Chapter 2 of Part 4 of the Finance Act 2004.
44. There is a facility for members to pay AVCs to enhance their benefits at retirement. Members are offered a choice of "money purchase" funds in which to invest their AVC payments. The Trustee's objective is to provide a range of funds, which will provide a suitable long-term return for members, consistent with members' reasonable expectations. Members also have the option to apply AVCs to purchase added years of pensionable service.

Authorised for and on behalf of the Trustee of the Scheme