



National Grid – United Nations Global Compact
Update 2016

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Chief Executive's letter

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H.E. Ban Ki-moon
Secretary-General
United Nations
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USA

John Pettigrew
Chief Executive

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www.nationalgrid.com

Dear Mr Secretary-General

I am pleased to reconfirm National Grid's support of the ten principles of the Global Compact on human rights, labour, environment and anti-corruption. With this communication, we express our continued intent to advance these principles within our sphere of influence. Examples of advancing these principles over the past year include National Grid's commitment to and publishing of our statement on the prevention of slavery and human trafficking. We also became a Living Wage employer in the UK.

Our commitment to ethical standards and practices has been acknowledged by Ethisphere who have once again awarded us World's Most Ethical Company status. We also received a score of 93% in the Business In the Community 2016 Corporate Responsibility Index, an improvement on the previous year.

A key requirement for participation in the Global Compact is the annual submission of a Communication on Progress describing our work in support of the Compact. Our website, www2.nationalgrid.com/Responsibility, meets this requirement by setting out our approach to ensuring that our everyday operations meet society's need for safe, reliable and affordable energy. It also shows how we are creating shared value by undertaking activities that are good for our business and have a positive impact on those around us.

Yours sincerely



John Pettigrew
Chief Executive

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Human Rights

Policies and goals

National Grid does not operate in countries of concern with respect to human rights. As a result, National Grid does not have a specific policy relating to human rights, but respect for human rights is incorporated into our employment practices and our values, which include respecting others and valuing diversity.

‘Doing the Right Thing’ is our guide to ethical business conduct. The way in which we conduct ourselves allows us to build trust with the people we work with. We earn this trust by doing things in the right way, building our reputation as an ethical company that our stakeholders want to do business with, and that our employees want to work for.

Our procurement policies integrate sustainability into the way we do business throughout our supply chain, so that we create value, preserve natural resources and respect the interests of the communities we serve and from which we procure goods and services.

Additionally, through our supplier code of conduct, we expect our suppliers to keep to all laws relating to their business, as well as the principles of the United Nations Global Compact, the United Nations Declaration of Human Rights and the International Labour Organization (ILO).

In April 2016 we published our statement on the prevention of slavery and human trafficking which outlines our policy and ongoing commitment to make sure this awful crime isn’t taking place in our business or in our supply chain.

We are also committed to complying with section 1502 of the Dodd-Frank Act – “Conflict Mineral Rule” – through our policy of not using products containing conflict minerals. This is covered in our Suppliers Code of Conduct.

In the UK, we are a proud accredited Living Wage employer. We have taken it one step further than the accreditation requires. Our apprentices, higher apprentices, undergraduate students and graduates are also included in our Living Wage commitment. Additionally, we are working with our contractors to make sure that for new and renewed contracts our supply chain will be working to the provisions required by the Living Wage Foundation.

We aim to develop and operate our business with an inclusive and diverse culture, with equal opportunity to all in recruitment, career development, training and reward. This applies to all employees regardless of race, gender, nationality, age, disability, sexual orientation, gender identity, religion and background. Where existing employees become disabled, our policy is to provide continued employment and training wherever practical. Our policies support the attraction and retention of the best people, improve effectiveness, deliver superior performance and enhance our success.

Link to Inclusion & Diversity / Human Resources policy: <http://www2.nationalgrid.com/About-us/Inclusion-diversity/>

Link to Doing the Right Thing <http://www2.nationalgrid.com/About-us/Doing-the-Right-Thing/>

Link to Modern Slavery Act Statement <http://www2.nationalgrid.com/UK/Modern-Slavery-Act-Statement/>

Link to Supplier Code of Conduct: <http://www2.nationalgrid.com/UK/Industry-information/Suppliers/>

Implementation

The following links provide information on the various activities we have in place to promote gender equality and encourage women to take up engineering as a career.

The links also highlight what we are doing to support education, in particular to promote STEM (Science, Technology, English and Maths) in schools in the regions in which we operate.

<http://www2.nationalgrid.com/responsibility/Connecting-for-tomorrow/Inspiring-for-the-future/>

<http://www2.nationalgrid.com/responsibility/Connecting-today/in-the-us/>

<http://www2.nationalgrid.com/responsibility/Connecting-today/in-the-uk/>

The safety of the public in the communities we serve is of prime importance to us. We provide a range of material aimed at educating the public about how to use gas and electricity safely, as well as what to do in the event of an emergency. Example of this information can be found at:

<http://www2.nationalgrid.com/UK/Safety/Gas-emergency/>

<http://www2.nationalgrid.com/UK/Safety/Safety-in-the-home/>

<https://www1.nationalgridus.com/SafetyandOutageLanding>

Measurement of outcomes

As at 31 March 2016, 23.5% of our 25,068 employees were female and 14.5% were from ethnic minority groups. This compares with 23.6% and 14.1% respectively at 31 March 2015.

Around 30.5% of our management team are female; around 10.7% are from ethnic minority groups.

As at 1 July 2016, 27.3% of our Board members are female; 9.1% are ethnic minorities.

In 2015/16, 19 members of the public (excluding fatalities) were injured as a result of our activities, compared with 32 in 2014/15. This improvement reflects the work we have been doing to protect the public around our work sites. The principal causes of injury continue to be slips, trips and falls around our street works and road traffic collisions with our vehicles.

Our performance in these areas for the past five years is reported on our website:

Inclusion and Diversity: <http://www2.nationalgrid.com/Responsibility/How-were-doing/Grid-data-centre/Employees/>

Public safety: <http://www2.nationalgrid.com/responsibility/how-were-doing/grid-data-centre/Safety-and-wellbeing/>

Reference is also made to our GRI map, which links the various metrics used by the GRI to pages and document on our website where supporting information can be found:

<http://www2.nationalgrid.com/responsibility/how-were-doing/How-we-report/>(fourth tab)

Labour

Policies and goals

Our Human Resources and Safety & Wellbeing policies set out our approach to labour rights

Our procurement policies integrate sustainability into the way we do business throughout our supply chain, so that we create value, preserve natural resources and respect the interests of the communities we serve and from which we procure goods and services. Additionally, through our supplier code of conduct, we expect our suppliers to keep to all laws relating to their business, as well as the principles of the United Nations Global Compact, the United Nations Declaration of Human Rights and the International Labour Organization (ILO).

Safety & Wellbeing: <http://www2.nationalgrid.com/About-us/Corporate-governance/Documents-and-policies/> (third tab)

Human Resources: <http://www2.nationalgrid.com/About-us/Inclusion-diversity/>

Link to Supplier code of Conduct: <http://www2.nationalgrid.com/UK/Industry-information/Suppliers/>

Implementation

Our Company-wide injury frequency rate of 0.10 is better than last year and means that we bettered our target of 0.15. This means we are operating at world-class levels of safety.

Amongst our programmes for 2015/16 we have continued to work to address the stigma and discrimination associated with mental health. With our major cancer charities (Macmillan Cancer Support in the UK and The American Cancer Society in the US), we have raised money and awareness.

Our employee opinion survey continues to show our employees have a growing awareness of our wellbeing programmes.

We operate separate UK and US employee helplines, which provide advice and guidance on a wide range of issues, such as debt advice, living well, bereavement, caring for sick relatives and consumer rights. In the UK from April 2015 to March 2016 9.06% of our employees used the service and this related to 644 cases being opened. These 644 cases accessed 1147 services. In the US from April 2015 to March 2016, 9.61% of our employees used the service. Included in this figure are 518 cases for individuals. The service is open to family members but we find the majority of cases are for employees themselves.

Further information on the benefits we offer our employees, education and training opportunities, community volunteering opportunities and employee support groups can be found in the careers section of our website: <http://www.nationalgridcareers.com/Working-at-National-Grid/>

Measurement of outcomes

We report our employee lost time injury frequency rate (IFR), expressed as lost time injuries per 100,000 hours worked, as a key measure that can be compared with other companies.

In 2015/16, our employee IFR was 0.10, compared to 0.13 in 2014/15, illustrating we have met our target of 0.1.

The number of employee lost time injuries in 2015/16 was 53, compared with 70 in 2014/15.

We identified 126 high potential incidents, compared with 138 the previous year. High potential incidents are any incidents that had the potential for one or more serious injuries or fatalities.

We believe everyone who works for us is entitled to high levels of safety, whether they are a direct employee or employed by one of our contract partners. During 2015/16, there were 48 contractor lost time injuries, compared with 40 in 2014/15.

During 2015/16, we provided around 1,160,000 hours of training for our employees. This equates to around 46.5 hours per employee.

We measure how engaged our people are through our employee engagement index, calculated from certain questions in our employee survey. The results of our 2016 survey, which was completed by 87% of our employees, has seen a 4% improvement compared to last year; our engagement index this year was 76%. This is the highest engagement score since we started conducting our Group-wide employee opinion surveys.

Performance in these areas for the past five years can be found on our website:

Safety: <http://www2.nationalgrid.com/responsibility/how-were-doing/grid-data-centre/Safety-and-wellbeing/>

Employee training: <http://www2.nationalgrid.com/responsibility/how-were-doing/grid-data-centre/Employees/>

Reference is also made to our GRI map, which links the various metrics used by the GRI to pages and document on our website where supporting information can be found:

<http://www2.nationalgrid.com/responsibility/how-were-doing/How-we-report/> (fourth tab)

Environment

Policies and goals

Our ambition is to embed the principles of the circular economy to protect and preserve natural resources and benefit the communities in which we operate.

Our approach to the environment is set out in our Environment Policy:

<http://www2.nationalgrid.com/About-us/Corporate-governance/Documents-and-policies/> (third tab)

This is supported by 'Our Contribution', which sets out National Grid's ambition to transform the way we do business and provide a sustainable legacy as a result of our operations.

Our Contribution: <http://www2.nationalgrid.com/responsibility/Connecting-for-tomorrow/Preserving-for-the-future/sustainability/>

Implementation

We continue to implement environmental management systems certified to the international standard ISO 14001. 100% of our material operations are covered by ISO 14001 environmental management systems.

The way in which we are implementing our environment policy and 'our contribution', is set out on our website at: <http://www2.nationalgrid.com/responsibility/Connecting-for-tomorrow/Preserving-for-the-future/sustainability/>

Measurement of outcomes

100% of our material operations are covered by ISO 14001 environmental management systems. At 31 March 2016, approximately 93% of our employees worked to certified ISO 14001 environmental management systems the same level as last year. The remaining 7% are mainly office based employees in the US.

Our Scope 1 and 2 greenhouse gas emissions are reported in line with the WRI/WBCSD Greenhouse Gas Protocol Corporate Standard for all six Kyoto gases and using the operational control approach for emissions accounting.

Prior to 2012/13, we reported greenhouse gas emissions attributable to electricity transmission line losses as a Scope 3 emission. On the advice of our GHG emission data verifier, we have now reclassified this emission source as Scope 2.

Our Scope 1 and 2 emission reduction targets exclude line losses, so we report our Scope 1 and 2 emissions both including and excluding this emission source.

These Scope 1 and 2 emissions are independently assured against the international standard ISO14064-3 Greenhouse Gas Assurance Protocol.

We forecast that we will continue to significantly exceed (better) the 45% by 2020 reduction target. We expect the 2050 target (against our 1990 baseline) to be extremely challenging.

Our total Scope 1 and 2 emissions (excluding line losses) for 2015/16 were around 7.3 million tonnes carbon dioxide equivalent. This represents a 63% reduction on our 1990 base line.

Our total Scope 1 and 2 emissions (including line losses) were around 11.3 million tonnes carbon dioxide equivalent (2014/15: 11.3 million tonnes).

We also measure our carbon intensity. For 2015/16, excluding line losses this was 496 tonnes carbon dioxide equivalent per £ million of revenue compared with 478 tonnes in 2014/15.

Performance data on climate change, water use, waste management, SO_x and NO_x emissions, and environmental incidents for the last five years can be found on our website:

Climate change: <http://www2.nationalgrid.com/responsibility/how-were-doing/grid-data-centre/climate-change/>

Other environmental impacts: <http://www2.nationalgrid.com/responsibility/how-were-doing/grid-data-centre/environmental-impacts/>

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<http://www2.nationalgrid.com/responsibility/how-were-doing/How-we-report/>(fourth tab)

Anti-corruption

Policy and goals

National Grid's approach to business ethics, including anti-corruption, is set out in our Global Code of Business Ethics, 'Doing the Right Thing'. It is supported by other group policies, covering such issues as bribery and anti-fraud and whistle-blower provisions.

Doing the Right Thing and the other policies can be found at:

<http://www2.nationalgrid.com/responsibility/how-were-doing/grid-data-centre/Safety-and-wellbeing/>

Antifraud and Bribery Policy can be found at: <http://www2.nationalgrid.com/About-us/Corporate-governance/Documents-and-policies/> (third tab)

Policy for Written Code of Ethics for Employees (Incorporating Whistle Blower Protection) can be found at: <http://www2.nationalgrid.com/About-us/Corporate-governance/Documents-and-policies/> (third tab)

Implementation

'Doing the Right Thing' sets out specific actions to address various ethical issues.

All employees are required to complete annual basic ethics training and employees at risk carry out additional training covering issues such as UK bribery act, anti-fraud, competition law, and US lobbying requirements.

We have anonymous whistle blower and ethics helplines for all employees.

Measurement of outcomes

In 2015/16, there were 97 substantiated breaches of our Standards of Ethical Business Conduct. This equates to 5.4 substantiated breaches of the Standards per 1,000 employees compared with 4.0 in 2014/15.

We take all breaches very seriously and disciplinary action can range from a verbal warning to dismissal. In 2015/16, there were 40 terminations of employment (2014/15: 24) resulting from substantiated breaches for offences such as fraud and theft, drugs and alcohol abuse, safety violations and misuse of company assets.

During 2015/16, around 64% of our employees in the UK completed some form of ethics training

Performance in this area for the past five years is reported on our website:

<http://www2.nationalgrid.com/Responsibility/How-were-doing/Grid-data-centre/Employees/>

Reference is also made to our GRI map, which links the various metrics used by the GRI to pages and document on our website where supporting information can be found:

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