



**National Grid – United Nations Global Compact**  
**Update July 2018**

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## Chief Executive's letter

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[www.nationalgrid.com](http://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 the fundamental responsibilities of business within our own organisation and those within our sphere of influence.

Examples of advancing these principles over the past year include the improvements made to our Modern Slavery Statement which is published on our company website and the work we are undertaking with our supply chain in support of this statement. We have also updated and republished our internal Code of Ethical Business Conduct providing employees with guidance on our key ethical policies that they must work to. We continue to promote our commitment to providing an inclusive, equal and fair working environment through our Inclusion and Diversity Policy and support diversification in our supply chain through our Global Supplier Diversity Policy.

In 2017 we launched our new vision and values which places our purpose, bring energy to life, central to what we do and how we work. It drives our desire to serve our customers and makes us proud about the work we do. Along with our values of doing the right thing and finding a better way, it helps shape our spirit, attitude and guides us in everything we do.

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 are also recognised as a pioneer acting on the climate change agenda, achieving the CDP A List as one of the world's few businesses leading on environmental performance.

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, <https://www.nationalgrid.com/group/responsibility-and-sustainability>, also supports this requirement by setting out our approach to ensuring that our everyday operations meet and exceed the expectations of the communities we serve. It demonstrates how we are creating shared value by undertaking activities that are good for our business and have a positive social, economic and/or environmental impact on those around us.

Yours sincerely



John Pettigrew  
Chief Executive

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## **Human Rights**

### **Policies and goals**

National Grid does not have direct operation in countries of high concern with respect to human rights therefore we do not have a specific policy relating to human rights, however respect for human rights is incorporated into our employment practices and our values, which include respecting others and valuing diversity. We acknowledge that there may be potential risks in our wider supply chain and we ensure that the expectations outlined in our Supplier Code of Conduct relating to respecting, protecting and promoting human rights regarding our suppliers are proactively promoted.

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 our employees want to work for. We have refreshed and republished our Code of Ethical Business Conduct providing employees with guidance on key ethical policies.

Our Code of Ethical Business Conduct sets out the behaviours we expect from our employees to meet our values of Do the Right Thing and Find a Better Way. The document is issued to all employees and is supported by a regular programme of communications to promote a strong ethical culture. Additionally, we provide briefings for high risk areas of the business such as Procurement.

Our Supplier Code of Conduct is issued to our suppliers and clearly sets out our expectations related to Human Rights including the requirements that they have in place a programme with procedures to prevent and detect bribery and corruption, in accordance with all applicable local, state, federal or national laws or regulations including the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act 1977. We also expect our suppliers to meet the principles of the United Nations Global Compact, the Ethical Trading Initiative Base Code, the UK Modern Slavery Act 2015, and for our UK suppliers, the requirements of the Living Wage Foundation.

We strive to make sure that the potential risk of modern slavery is understood and assessed in our own business and in our supply chain. We engage with our suppliers to ensure that our human rights requirements are embedded within their own supply chains and we expect all suppliers to be compliant with the Modern Slavery Act and undertake due diligence to assess and address potential risks in their own business and extended supply chains. Each year we take steps to evolve our modern slavery statement in line with best practice and publish this on our UK website.

We work actively with our suppliers and peers to understand what approach they are taking to combat modern slavery and ensure that we learn from this. In 2017 we completed a desktop risk assessment of our top 250 suppliers to help understand where the potential risks in our supply chain may be. We are now engaging with those suppliers that have been identified in potentially high risk categories and will be working with them to complete a range of assessment questions to develop risk mitigation plans for any identified issues.

We are also developing a framework for our buyers so that the sustainability risk criteria, including those relating to modern slavery, can be embedded into the initial stages of the sourcing process

and integrated into the selection criteria. Any risk identified will be reviewed through the contract management process.

In the UK we are accredited by the Living Wage Foundation and our commitment to our direct employees also extend to contractors and their work on behalf of National Grid. We believe that everyone should be appropriately rewarded for the vital work they do. We also go above the Living Wage requirements and voluntarily pay our trainees the Living Wage. A Living Wage review takes place annually to ensure continued alignment and individual salaries are increased as required.

Building a diverse workforce and creating an inclusive workplace are also vitally important to achieving our purpose, vision and values. We support the UK Government's initiative on this important topic and we publish gender pay gap data and a written statement in-line with UK Government requirements on our UK website.

We aim to develop and operate our business with an inclusive and diverse culture, with equal opportunities for 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.

This also extends into our supply chain and our Global Supplier Diversity Policy sets out to support an inclusive and diverse supply chain that represents the communities we serve.

**Link to Inclusion and Diversity Policy:**

At the moment this policy is only available via our internal intranet site but, we plan to share this on our company website very soon.

**Link to Code of Ethical Business Conduct:**

<https://www.nationalgrid.com/sites/default/files/documents/Our%20code%20of%20ethical%20business%20conduct%202017.pdf>

**Link to Modern Slavery Act Statement:**

[https://www.nationalgrid.com/sites/default/files/documents/14842\\_NG\\_Modern\\_Slavery\\_A4\\_AW08\\_INT1%20%281%29.pdf](https://www.nationalgrid.com/sites/default/files/documents/14842_NG_Modern_Slavery_A4_AW08_INT1%20%281%29.pdf)

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

## **Implementation**

We aim to develop and operate a business with an inclusive and diverse culture, with equal opportunities in recruitment, career development, training and reward.

Our aim is to encourage more young people, particularly women to take STEM subjects (Science, Technology, Engineering and Maths) and become engineers. However, our passion for employability

doesn't stop there. We want to see everyone reach their full potential and gain employment, regardless of their background.

The following link provides case studies on the various activities we have in place to promote gender equality and encourage women to take up engineering as a career.

<https://www.nationalgrid.com/group/responsibility-and-sustainability/people>

### **Measurement of outcomes**

As at 31 March 2018, 24.6% of our 23,023 employees were female and 17.9% were from ethnic minority groups. This compares with 24.1% and 17.3% respectively on 31 March 2017.

Around 31% of our management team are female; around 8% are from ethnic minority groups.

As at 31 March 2018, 38% of our Board members are female; 7% are ethnic minorities.

In 2017/18, 4 members of the public were injured as a result of our activities. Following the sale of our UK Gas Distribution business, the risk of injuries to members of the public in our UK operations has dropped significantly. The injuries we have had were in our US business and were from road traffic collisions and one instance of a member of the public entering a work area and falling into an excavation.

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

<https://www.nationalgrid.com/group/responsibility-and-sustainability/our-progress/our-performance/performance-people>

For calendar year 2017 we spent more than £8.5 million with diverse suppliers in the US

National Grid also depends on our vibrant partnerships with qualified small, medium and diverse businesses to provide products and service that contribute positive environmental, social and economic impacts to the supply chain. Our supplier diversity efforts create an inclusive and diverse supply chain that:

- Increases diverse supplier participation in sourcing opportunities
- Fosters and supports growth and development opportunities for diverse suppliers through outreach activities and mentorship programs, and;
- Identifies subcontracting opportunities for diverse suppliers

The following diverse categories are included:

- Minority business enterprise
- Women business enterprise
- Small business enterprise
- HubZone small business
- Disadvantaged business enterprise
- LGBT owned business
- Veteran-owned business
- Service-disabled veteran-owned small business

- Historically black colleges and universities
- Small disadvantage business
- Green certified

## **Labour**

### **Policies and goals**

Our Human Resources and Safety and 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. Also, through our supplier code of conduct, we expect our suppliers to keep to all laws relating to their business, as well as adhere to the principles of the United Nations Global Compact, the Ethical Trading Initiative Base Code, the UK Modern Slavery Act 2015, and for our UK suppliers, the requirements of the Living Wage Foundation.

Safety and Wellbeing: <https://www.nationalgrid.com/group/about-us/corporate-governance>

Human Resources: <https://careers.nationalgrid.com/about-us>

Link to Supplier code of Conduct: <https://www.nationalgrid.com/group/suppliers>

We are members of the EU (Energy & Utility) Procurement Skills Accord which promotes training and development to address potential skills shortages in the industry namely 1.8 million new engineers required to be trained by 2025 and 12,500 engineers and technicians with core engineering skills required. National Grid plays a key role as a signatory to the Accord to help close the gap. To date we have signed up six suppliers from our supply chain and in 2018 we are engaging with additional suppliers to support this important initiative.

Link to the EU Skills Accord Website: <https://www.euskills.co.uk/about/energy-utilities-skills-partnership/skills-accord/>

### **Implementation**

Our employee lost time injury frequency rate for the Group has been 0.10 or lower throughout the year, which is consistent with world-class safety performance. Our ambition is to achieve a safety performance of below 0.10.

Among our programmes for 2017/18 we have continued to work to address the stigma and discrimination associated with mental ill health through several of our employee wellbeing programmes. 12% of the workforce are now trained in mental health first aid and interest and support in this area remains strong throughout the Company.

In the UK our employees supported the Alzheimer's Society, as our Employee Chosen Charity partner, and employees attended dementia awareness training. In the US our colleagues support the

American Cancer Society. Our employee engagement survey continues to show our employees have a growing awareness of our wellbeing programmes.

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: <https://www.nationalgrid.com/group/careers>

### **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 2017/18, our employee lost time injury frequency rate for the Group has been 0.10 or lower throughout the year, which is consistent with world-class safety performance, equalling that of 2016/17. The number of employee lost time injuries in 2017/18 was 52, an increase of 3 from 2016/17.

We identified 69 high potential incidents, compared with 88 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 2017/18 there were 31 contractor lost time injuries, an increase of 16 from 2016/17.

During 2017/18, the total number of training days delivered per employee across the whole of National Grid is 6.5 days (as recorded in our HR systems).

We measure employee engagement through our employee engagement survey. The results of our 2017/18 survey, which was completed by 87% of our employees, have helped us identify specific areas where we are performing well and those areas we need to improve.

This year's employee engagement score was 77%.

Performance in these areas can be found on our website:

Safety and Employee Training: <https://www.nationalgrid.com/group/responsibility-and-sustainability/our-progress/our-performance/performance-people>



## **Environment**

### **Policies and goals**

We know that our business operations have the potential to affect the environment. Managing any risks, whether these are short-term through our physical operations, such as air quality and pollution, or long-term through our greenhouse gas emissions or resource use, is fundamental to our approach to environmental sustainability.

Environmental policy

<https://www.nationalgrid.com/sites/default/files/documents/Environment%20Policy.pdf>

Our environmental strategy, Our Contribution, was originally developed in 2012 with a wide range of internal and external stakeholders, and has been redefined over the years to reflect changing stakeholder priorities. It focuses on three areas; climate change, resources and caring for the natural environment. Our strategy is delivered through our environmental policies.

Our Contribution

[https://www.nationalgrid.com/sites/default/files/documents/OurContribution\\_PDF\\_Brochure.pdf](https://www.nationalgrid.com/sites/default/files/documents/OurContribution_PDF_Brochure.pdf)

National Grid also recognises that environmental impacts including Greenhouse Gas (GHG) emissions within the supply chain are often at least four times greater than those from direct operations. That's why in 2008, we set a corporate target to have 80% of our top 250 suppliers reporting their GHG emissions by 2020. We work with CDP (formerly the Carbon Disclosure Program) to request suppliers to complete the online supply chain climate questionnaire providing information on their carbon impacts.

### **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: <https://www.nationalgrid.com/group/responsibility-and-sustainability/environmental-sustainability>

### **Measurement of outcomes**

100% of our material operations are covered by ISO 14001 environmental management systems. At 31 March 2018, 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 greenhouse gas emissions for 2017/18 equate to 4.8 million tonnes of carbon dioxide equivalent (2016/17: 5.8 million tonnes) and our Scope 2 emissions (including electricity line losses equate to 2.9 million tonnes (2016:17: 3.4 million tonnes); combined this is a 65% reduction against our 1990 baseline. These figures now include the emissions from electricity line losses, but exclude

UK Gas Distribution emissions following the sale of this business. These are equivalent to an intensity of around 505 tonnes per £1 million of revenue (2016/17: 424).

We measure and report in accordance with the World Resources Institute and World Business Council on Sustainable Development Greenhouse Gas Protocol. 100% of our Scope 1 and 2 emissions and 92% of our Scope 3 emissions are independently assured against the international standard ISO14064-3 Greenhouse Gas Assurance Protocol. This statement, along with more information about our wider sustainability activities and performance for the last five years can be found on our website.

We have an ambitious target to reduce our GHG emissions by 80% by 2050. In addition, we have interim targets to reduce our emissions by 45% by 2020 and 70% by 2030. These reduction targets are against a 1990 baseline. In 2017/18 we amended our targets to include the emissions from electricity line losses – all our Scope 1 and 2 emissions are now included in our targets.

We achieved the CDP 'A' List rating for the past two years of which less than 2% of members achieved this.

Climate change: <https://www.nationalgrid.com/group/responsibility-and-sustainability/environmental-sustainability/our-climate-commitment>

Other environmental impacts: <https://www.nationalgrid.com/group/responsibility-and-sustainability/environmental-sustainability/natural-environment>

For our CDP Supply Chain Program, the objective is to take suppliers on a journey:

Disclosure - > Awareness - > Environmental Management - > Leadership

With the focus on incentivising the lower scoring suppliers to manage their environmental impacts, once they have an understanding of what they are. Overall it's about having a capable supply chain that will work collaboratively with National Grid to reduce the carbon footprint of our direct and indirect operations; therefore we also track the greenhouse reduction rates from our supply chain because we understand carbon reduction is the main objective of this initiative.

Last year we exceeded our 2017 target of 70% response rate achieving 76% well on track to achieve our 2020 target of 80%.

In addition to those suppliers responding 63% reported emission reduction initiatives and 78% integrated climate change into their business strategy.

## **Anti-corruption**

### **Policy and goals**

National Grid's approach to business ethics, including anti-corruption, is set out in our Code of Ethical Business Conduct at: <https://www.nationalgrid.com/group/code-ethics-and-ethical-business-conduct>

It is supported by other group policies covering such issues as bribery and anti-fraud and whistleblower protection that can be found at: <https://www.nationalgrid.com/group/articles-association>

Our Supplier Code of Conduct is issued to our suppliers and sets out our requirements that they have in place a programme with procedures to prevent and detect bribery and corruption, in accordance with all applicable local, state, federal or national laws or regulations including the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act 1977.

### **Implementation**

Our Code of Ethical Business Conduct for all National Grid employees sets out the standards and behaviours we expect from all employees to meet our values of Do the Right Thing and Find a Better Way. The document is issued to all employees and is supported by a regular programme of communications to promote a strong ethical culture. Additionally, we provide briefings for high risk areas of the business such as Procurement.

All employees are required to complete annual 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 also have in place confidential external whistleblowing helplines available 24/7 in all the regions where we operate. We publicise the contact information to our employees and on our external website so concerns can be reported anonymously. Our policies make it clear that we will support and protect whistleblowers and any form of retaliation will not be tolerated.

### **Measurement of outcomes**

In 2017/18, there were 148 substantiated breaches of our Standards of Ethical Business Conduct. This equates to 6.4 substantiated breaches of the Standards per 1,000 employees compared with 73 in 2016/17.

We take all breaches very seriously and disciplinary action can range from a verbal warning to dismissal. In 2017/18, there were 32 terminations of employment (2016/17: 31) resulting from substantiated breaches for offences such as fraud and theft, drugs and alcohol abuse, safety violations and misuse of company assets.

During 2017/18, around 96% of our US and 94% of our UK employees completed ethics training.

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

<https://www.nationalgrid.com/group/responsibility-and-sustainability/our-progress/our-performance/performance-people>