



**United Nations Global Compact**

**Communication of Progress**

**Update: July 2019**

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## Chief Executive's letter

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**nationalgrid**

Antonio Guterres  
Secretary-General  
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John Pettigrew  
Chief Executive

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Dear Mr Secretary-General

I am pleased to reconfirm National Grid's support of the ten principles of the UN 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 continuous review and update of our policies around our approach to human rights, anti-corruption, anti-bribery and preventing modern slavery which are published on our company website. We also continue to promote our commitment to 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.

To further demonstrate our compliance with the UK Bribery Act 2010 we introduced an e-learning course for all employees so that they can adequately understand the Company's zero tolerance approach to fraud, bribery or corruption of any kind.

Each year we update our modern slavery statement which is independently reviewed by the Business & Human Right Resource Center alongside other FTSE 100 companies. In 2018 we were positioned 12<sup>th</sup> and recognised as one of a 'small cluster of leaders standing out in this space'. We also became members of the Construction Protocol, a joint agreement with some of the biggest names in the UK Construction aimed at eradicating slavery and labour exploitation in the industry.

For the third consecutive year, we were delighted to be recognised as one of 126 companies globally and one of only eight UK companies to achieve a position on the climate change A List (out of 7,000 submissions) as one of the world's few businesses for our performance in reporting and mitigating the impact of climate change. We were also named a CDP Supplier Engagement Leader. This recognition is due to the active engagement from our procurement team members with our suppliers on climate change.

We continue to be an accredited member of the Living Wage Foundation and use our position as a client organisation to promote the principles of a fair wage and decent work through our supply chain.

A key requirement for participation in the UN 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 we exceed the expectations of our customers, shareholders and communities today, while meeting the energy aspirations of future generations tomorrow.

Over the next year, we aim to better understand the holistic impact our business has on society. This will help us identify opportunities to use our operations and capabilities to provide more meaningful value to society.

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 Global 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 global Code of Ethical Business Conduct that provides 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 and training to promote a strong ethical culture. Additionally, we provide briefings for high risk areas of the business such as Procurement.

Our Global Supplier Code of Conduct is updated annually and 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 potentially high risk 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 company 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. In 2018 we engaged with those suppliers that were identified as potentially high risk based on location, category of spend and levels of sub-contracting and used a framework of questions to assess their understanding of modern slavery and how they were addressing this. We have been working with them to develop risk mitigation plans for any identified issues.

We have also developed a relevancy 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 and actioned against through the contract management process.

As a result, National Grid have been recognised through external assessment by the Business & Human Rights Resource Center (BHRRC) and moved from a bottom quartile position to the 12<sup>th</sup> in the FTSE 100 listing for 2018 and cited as one of a small group of leaders ranking top in the utility sector. In addition, we are signatories to the UK Construction Protocol; which is a joint agreement with the largest firms in the UK construction focused on eradicating modern slavery and exploitation in the building industry.

In the UK, we are accredited by the Living Wage Foundation. Our commitment to our direct employees extend to our contractors and the work they do on behalf of National Grid and is actively promoted through our supply chain and embedded in our contract terms and conditions. We believe that everyone should be appropriately rewarded for their time and effort. We also go above the Living Wage requirements and voluntarily pay our trainees the Living Wage. We undertake a Living Wage review each year to ensure continued alignment. We also increase individual salaries as required.

### **Inclusion & Diversity**

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.

National Grid's ambition is to drive, develop and operate our business in a way that results in a more inclusive culture. We are committed to building:

- a workforce which represents the communities we serve
- a working environment in which everyone feels respected, fairly treated and be able to reach their full potential

We are committed to providing an inclusive, equal and fair working environment to all regardless of race, gender, age, disability, sexual orientation, religion or any other protected characteristics, in line with the Equality Act 2010 through:

- Driving inclusion and promoting equal opportunities for all
- Ensuring the workforce, whether part-time, full time or temporary, will be treated fairly and with respect.
- Eliminating discrimination
- Ensuring selection for employment, promotion, training development, benefit and reward, will be based on merit

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 present this policy is only available internally 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 Global Supplier Code of Conduct:**

<https://www.nationalgrid.com/document/83526/download>

**Link to Construction Protocol:**

<https://www.gla.gov.uk/i-am-a/i-use-workers/construction-protocol/>

**Implementation**

We aim to develop and operate a business that takes advantage of the benefits that an inclusive and diverse culture bring, ensuring equal opportunities in recruitment, career development, training and reward.

Our strategy is to support more young people, particularly women to take STEM subjects (Science, Technology, Engineering and Maths) and become engineers. To make them aware of the rewarding career possibilities available to them working in a business which is at the heart of energy transformation helping the country hit its net zero carbon target by 2050. 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 links provide case studies on the various activities we have in place to promote diversity at National Grid.

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

**Measurement of outcomes**

As at 31 March 2019, 24.3% of our 22,597 employees were female and 18.1% were from ethnic minority groups. This compares with 24.6% and 17.9% respectively on 31 March 2018.

Around 32.1% of our management team are female; around 10.6% are from ethnic minority groups. This indicates a slight increase compared to last year, where the number of females on the management team were 31% with 8% from ethnic minority groups.

As at 31 March 2019, 33.3% of our Board members are female; 6.3% are ethnic minorities.

As at March 2019, our Group lost time injury frequency rate was 0.10. Going forward we have moved to reporting on combined employee and contractor LTI rates to reflect our continued focus on encouraging good safety behaviours across our entire worker community.

In 2018/19, one member of the public was injured because of our activities, the cyclist fell off his bike when he cycled over a water hose which was running to one of our substation sites.

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 2018 we spent more than \$900 million with small, minority, women and diverse suppliers in the US.

In the UK, we have a commitment aligned to the Government target of 33% spend with SMEs (small and medium sized enterprises). In the financial year ending March 2018 28% of our spend was with SMEs made up of direct contractors and sub-contracted spend. This accounted to over £500 million spend with over 4000 suppliers.

National Grid also depends on our vibrant partnerships with qualified small, minority, women and diverse businesses to provide products and services 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

National Grid also invests in mentoring programmes to develop strong economies and a sustainable environment for our communities. These programmes provide suppliers with an opportunity to increase their capability and build meaningful business relationships. It fosters partnerships between companies through sharing best practices, enhancing supplier diversity efforts and building momentum around supplier development.

Mentoring Programmes:

- Boston Chamber of Commerce – Pacesetters Mentorship Programme
- New York New Jersey Minority Council – Supplier Development
- National Minority Business Council – Mentoring Programme

## **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 eight suppliers from our supply chain and in 2019 we are engaging with additional suppliers to support this important initiative. We achieved the 2019 Award meeting the commitments set out in the Accord.

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

### **Implementation**

This year we maintained our lost time injury frequency rate at equivalent to one lost time injury per million hours worked. This is consistent with the best-performing organisation worldwide, but this also means striving relentlessly to do better – our ambition is to ensure that all our employees and contractors can go home safely at the end of each and every day.

Our wellbeing programme for 2018/19 focusses on musculoskeletal injury prevention and mitigation, chronic disease prevention, support and mental wellbeing. We provide training to develop the knowledge and confidence to notice and respond to mental health issues. We also work to reduce the stigma and to create a culture in which employees feel able to talk openly about mental health.

Our employees continue to support charities and community organisations in our local communities through volunteering. During 2018/19, we provided over 15,135 hours of volunteering across the UK and US.



In February 2019, we announced our intention to further support youth and education social action charity City Year UK through a fundraising partnership. Funds raised will be used to help the charity improve their current volunteering package; this will include increasing the financial support available to the Volunteer Mentors and making their year of service officially recognised as an accredited programme.

In the US, our colleagues continue to raise funds for the American Cancer Society to help people who face cancer.

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 2018/19, our employee lost time injury frequency rate for the Group has been 0.10 throughout the year, this is consistent with the best-performing organisations worldwide, equalling that of 2017/18. The number of employee lost time injuries in 2018/19 was 55, an increase compared with 52 during 2017/18.

We identified 214 high potential incidents, compared with 69 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 2018/19 there were 30 contractor lost time injuries, compared with 31 from 2017/18.

During 1 April 2018 to 31 March 19, the total number of training days delivered per employee across the whole of National Grid is 5.3 days (as recorded in our HR systems).

We measure employee engagement through our employee engagement survey. The results of our 2018/19 survey, which was completed by 76% of our employees, have helped us identify specific areas where we are performing well and those areas we need to improve.

Our employee engagement score was 73% favourable. While the score has dropped by four points from our 2017/18 results, we remain in the range of other high-performing companies for employee engagement. We have a range of actions plans underway to support addressing the change in our scoring during 2019/20.

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. We focus on:

- Reducing our carbon footprint;
- Maximising the value of resources through re-use and recycling, so we can reduce our impact on the environment; and
- Using our land holdings in ways that benefit our business, the environment and the communities in which we live and work.

### **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)

We have continued to make good progress with the recommendations set out by the Task Force on Climate-related Financial Disclosure (TCFD). We have committed to implementing the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures in full and included our second annual disclosure in our Annual Report & Accounts.

National Grid also recognises that 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 2019, approximately 98% of our employees worked to certified ISO 14001 environmental

management systems, the same level as last year. The remaining 2% are mainly office based employees in the US.

Our Scope 1 greenhouse gas emissions for 2018/19 equate to 4.5 million tonnes of carbon dioxide equivalent (2017/18: 4.0 million tonnes) and our Scope 2 emissions (including electricity line losses equate to 2.5 million tonnes (2017/18: 2.9 million tonnes); combined this is a 68% reduction against our 1990 baseline. These figures include line losses and updated lower emissions factors for US Gas Distribution. These are equivalent to an intensity of around 469 tonnes per £1 million of revenue (2017/18: 505). Our Scope 3 emissions for 2018/19 were 32.3 million tonnes (2017/18: 31.9 million tonnes).

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 a 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. We have exceeded our 2020 target and are on track to meet our long-term goals.

We achieved the CDP 'A' List rating for the third consecutive year. We are one of 126 companies globally, and one of only eight UK companies, to achieve a position on the climate change A list (out of 7,000 global submissions).

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

Our focus will be to encourage the lower scoring suppliers to better manage their environmental impacts by understanding the underlying factors to help them improve their rating. 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 will also track the greenhouse reduction rates from our supply chain because we understand that carbon reduction is the main objective of this initiative.

Last year we exceeded our 2020 target of 80% of our top 250 suppliers reporting and achieved 85% response rate.

In addition to those suppliers responding 54% reported emission reduction initiatives and 73% integrated climate change into their business strategy.

We also achieved the CDP A rating for supplier engagement in recognition of our efforts to promote this agenda in our supply chain.

## **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 a copy of our Code is available on our external website at:

<https://www.nationalgrid.com/document/1356/download>

We have in place a group Anti-fraud and bribery policy that is further supported by local risk assessments, this is also available on our external website at:

<https://www.nationalgrid.com/document/1351/download>

Our Global Supplier Code of Conduct is issued to our suppliers annually and requires them to have in place sufficient policies and 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, focusing on real examples and lessons learnt, 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 ethics related training covering areas such as anti-fraud and bribery, competition law and US lobbying requirements in line with our training strategy that is reset every three years.

We also have in place confidential internal business conduct helplines, available during regular working hours, and 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 whistle-blowers and will not tolerate any form of retaliation.

### **Measurement of outcomes**

In 2018/19, there were 105 substantiated breaches of our Standards of Ethical Business Conduct. This equates to 4.6 substantiated breaches of the Standards per 1,000 employees. This compares with a total number of substantiated breaches in 2017/18 of 148 (6.4 per 1,000 employees).

We take all breaches very seriously and disciplinary action can range from a verbal warning to dismissal. In 2018/19, there were 46 terminations of employment (2017/18: 32) resulting from substantiated breaches for offences such as fraud and theft, discrimination, harassment and bullying, drugs and alcohol abuse, safety violations and misuse of company assets.

During 2018, we released a new training package to support our Code of Ethical Business Conduct, we continually track the completion rates against our training, the latest results indicate that around 96% of our US and 81% of our UK employees have completed the 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>