

National Grid and the Environment

Environment policy April 2009

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Objective

We, at National Grid, will be the foremost international electricity and gas company, delivering unparalleled safety, reliability and efficiency vital to the wellbeing of our customers and communities.

We are committed to being an innovative leader in energy management and to safeguarding our global environment for future generations.

Investing in, and operating, a safe and reliable gas and electricity infrastructure uses energy and raw materials, and produces waste. Our effect on the environment and the communities we serve depends on how we and our supply chain operate. Our goal is to comply with regulations, reduce any impact that we may have, and proactively seek out opportunities to improve the environment.

We will face these challenges by deploying best practice throughout our operations and by engaging on national and international energy issues and by supporting renewable energy targets. We will show leadership by working with our customers, regulators, suppliers and others to deliver a more sustainable future. We will use our environmental management systems and innovation to continually improve our performance.

Protection of the environment is both a legal requirement in all areas of National Grid's operations as well as a significant component of our reputation as a responsible business. The services provided by National Grid can help to improve the environment and therefore provide an opportunity for our company.

This policy provides a framework for managing the environmental aspects of National Grid's businesses. It helps to set goals to promote continual improvements in environmental performance and is intended to help to focus the organisation on addressing the most important environmental issues and opportunities. An environmental policy is also required to maintain ISO 14001 certification.

Scope

This policy applies to all businesses within National Grid. For Associate Companies, National Grid will seek to promote the adoption of policies consistent with the principles set out in this document.

The policy statement takes account of the wide range of environmental legislation under which all businesses and Associate Companies operate. It also takes account of the standards set under ISO 14001 for environmental management systems.

Further explanation of each of the commitments described in this document can be found on National Grid's web site. The web site, and associated intranet, will be used to create layers of information that will form a clear line of sight from this policy document to our day to day activities. This will enable all employees to understand the contribution that they make to delivery of the policy. Where appropriate, our policy commitments will be turned into targets and key performance indicators that can be used to track and report progress.

Policy framework

National Grid is committed to the protection and enhancement of the environment, always seeking new ways to minimise the environmental impact of our past, present and future activities.

The following commitments provide a framework to help us to set goals to promote continual improvements in environmental performance and to deliver and maintain a culture that achieves the performance to which we aspire.

We believe that everyone is responsible for good environmental performance. In particular:

- ◆ the board has overall responsibility for protecting the environment by setting objectives for our operations, and ensuring that environmental matters are integral to the way in which we manage our business;
- ◆ management provides visible leadership that promotes good environmental performance and commits the appropriate resources to achieve our environmental goals; and
- ◆ we are all responsible for ensuring that our actions and behaviours protect the environment. Through the power of action we aim to create a culture where people 'think environment' when carrying out their daily work activities and have a respect for the environment that they can take beyond National Grid.

Our commitments

- ◆ We will reduce the effect our activities have on the environment by considering the whole life environmental costs and benefits in our business decisions.
- ◆ We will look for ways to use resources more efficiently through good design, use of sustainable materials, responsibly refurbishing existing assets, and reducing and recycling waste.
- ◆ We will reduce the impact of our business on global climate change targeting a decrease in our emissions of greenhouse gases by 45% by 2020 and 80% by 2050.
- ◆ We will respect the environmental status and biodiversity of the places we work, aiming to enhance areas for the benefit of local communities or the natural environment.
- ◆ We will actively manage the risks associated with sites where we have responsibility for dealing with contamination associated with past operations.
- ◆ We will help consumers reduce their dependency on fossil fuels by providing them with access to more sustainable energy and through innovative energy efficiency programmes.
- ◆ We will work with governments and regulators to help them develop and deliver more effective environmental policies and targets.
- ◆ We will continually improve our management systems to prevent pollution, reduce the risk of environmental incidents and comply with environmental laws, policies, charters and other commitments to which we subscribe.
- ◆ We will ensure that our employees have the training, skills, knowledge and resources necessary to meet our environmental commitments.
- ◆ We will openly share our performance with employees, members of the public and others and give them a meaningful opportunity to comment on our performance.
- ◆ We will require those working on behalf of National Grid to demonstrate at least the same level of commitment to stewardship of the environment and will create an environment where best practice can be shared.

In support of this policy statement, each business within National Grid will ensure that:

- ◆ a plan is put in place to ensure that all elements of this policy statement of relevance to its business are implemented;
- ◆ all regulatory and legal requirements are met; and
- ◆ all breaches, suspected breaches and areas of vulnerability to prosecution are investigated and, if appropriate, prompt corrective action taken.

Associated Companies will be encouraged to put the above arrangements in place.

Related policies and other documents

- ◆ Framework for responsible business
- ◆ ISO 14001 certifications in the UK and the US
- ◆ Public position statement on electric and magnetic fields
- ◆ Schedule 9 statement for UK transmission business
- ◆ Terms of reference for the Risk and Responsibility committee

Key contacts

This policy is owned and maintained by the Corporate Affairs Director, to whom questions regarding its content and application should be addressed.

The Corporate Affairs Director will be responsible for facilitating communication of this policy throughout the organisation.

Monitoring compliance

The Corporate Affairs Director will review compliance with this policy on a bi-annual basis. Any changes needed to ensure its effectiveness will be drawn to the attention of the executive, board, and Risk and Responsibility committee.

Each business within National Grid will ensure that it has the necessary arrangements in place to monitor and report compliance against this policy on a bi-annual basis. Each Associate Company will be encouraged to put in place similar arrangements to enable compliance to be reported on an annual basis.

Definitions

ISO 14001: The International Standard for environmental management systems. The achievement and subsequent maintenance of certification of an environmental management system to this standard is dependent in part on this policy.

Associated Company: A company where between 20% and 50% of the equity share capital is beneficially owned by a National Grid company or companies.