

Fiscal Year 2007-2008 Corporate Responsibility Summary Report
Sustainable Growth/Responsible Practice



national**grid**

The power of action.™

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Notes:

References to National Grid in this report are about the company's global operations

The currency conversion rate used in this report is £1 = \$2.01 – average exchange rate for the 12 months to 31 March 2008. (Global and UK activities will be stated in £s; strictly US operations will be stated in dollars)



“...There behind a glass lies a real blade of grass, be careful as you pass, move along, move along...”

Excerpted from the 1972 lyrics by Emerson, Lake & Palmer portending the fragility of our planet

Introduction

To Our Stakeholders

“We, at National Grid, will be the foremost international electricity and gas company, delivering unparalleled efficiency, reliability and safety, vital to the well-being 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.”

This is National Grid's vision – what we aspire to be and how we would like to be perceived by the world. I've begun with our vision, because everything you're going to read in this report about National Grid stems from this and every step we take is with the view that it will bring us closer to fulfilling this vision.

I hope our vision gives you a feel for the scope of what we're trying to achieve and how we believe we will create value for all of our stakeholders. Yes, we want to be efficient, reliable and safe ... but we also want to be innovative, and we are firmly committed to providing for the 'well-being of our customers and communities and to safeguarding our global environment'.

These are integral parts of our company's corporate responsibility ... and we intend to keep these important commitments at the forefront of all our plans and actions, now and in the future.

So, how will we get there?

National Grid took a major step on its growth journey when we acquired KeySpan in August 2007. And we are focused on making sure we continue to strengthen our commitment to corporate responsibility across our global operations as our company continues to grow:

- ◆ We have a **strategy** where we are focused on our core electricity and gas businesses in the UK and US. We're integrated across global

lines of business. And we're taking a disciplined approach to how we do our jobs, plan our finances and invest our money.

- ◆ We're guided by our **core values**: respect others and value their diversity; take ownership for driving performance; demonstrate integrity and openness in all relationships; and work as one team, one National Grid.
- ◆ We're **transforming** our business so we operate in the most efficient, cost effective and environmentally sound ways. We're looking, wherever possible, to do things in a consistent way, so customers, employees and shareholders in the UK and US enjoy the same positive experience of National Grid. This means we're focused on identifying and implementing best practice, company wide.
- ◆ We continue to work under our **framework for responsible business** where we seek to achieve sustainable growth, profits with responsibility and solid investments in the future.
- ◆ We have a new brand position that revolves around **the power of action**. The power of action means we're about more than words; we're taking action to continuously improve our safety performance, protect the environment, delight our customers and care for our communities. We're also committed to becoming more inclusive and diverse, providing energy solutions and, of course, acting on our vision
- ◆ And ... we have also agreed on a new **community impact framework** focusing on areas that are core to our business: energy and environment, and education and skills. This will be implemented across our UK and US businesses and there will be a strong focus on employee volunteering, very much demonstrating the power of action.

How did we do in 2007/08?

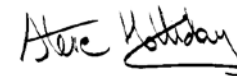
As you'll see in this report – National Grid's seventh global Corporate Responsibility Report – we have taken several positive steps in the past year:

- ◆ Established a climate change initiative with ambitious emission reduction targets and carbon budgets across our lines of business
- ◆ Expanded other environmental efforts in our continuous efforts to help save the environment ... and save money
- ◆ Continued to develop our employees' talent to empower and equip them to meet our stringent operating standards
- ◆ Strategically refocused and strengthened our commitment to local communities.

National Grid is also once again working cooperatively with a host of community, environmental, regulatory, government and energy industry partners, in both the UK and US, towards mutual goals.

So read on to find out more about National Grid's journey towards sustainable growth. It's a journey that will position us appropriately for the future. Most importantly, it's a journey where we will build an even stronger, more responsible company that's working to better serve our employees, customers, suppliers, shareholders, communities, **you**.

Sincerely,



Steve Holliday, Chief Executive





About this report

What's here and why it's important

What we do at National Grid is essential to the economies of the countries and regions in which we operate, and the comfort and well-being of the millions of citizens who depend on our services. Achieving our vision is a long-term responsibility, and one we must work towards while also creating value for our customers, shareholders and the communities where we operate. Delivering sustainable value depends on the trust and confidence of all of our stakeholders, and this can only be earned by conducting our business responsibly.

This is our corporate responsibility commitment ... and we have strategies to deliver on it. One of the most important things we know we have to do is continue to develop strong and valued relationships with our employees, customers, regulators, suppliers and the communities in which we operate. We also recognise the importance of acting responsibly in managing the environmental, economic and social risks and opportunities associated with our actions. Acting in ways that are sustainable is, in fact, an integral part of our overall business strategy.

This Corporate Responsibility Summary Report, our seventh annual global report, covers National Grid's efforts to be a financially successful and responsible company – creating value and doing right by those we serve across our growing, transatlantic territory. It shows how we have managed our environmental, economic and social impacts in 2007/08 (1 April 2007 – 31 March 2008),* and what our strategies for global operations are moving forward. And it contains a summary of the company's economic, environmental and social policies and performance, focusing in on the areas we believe are most important to achieving our corporate vision.

You can find more detailed information on our responsible business practices and performance – and also a copy of National Grid's 2007/08 Annual Report and Accounts with additional data on our operations – on our website at www.nationalgrid.com. On request, you can also receive hard copies of both the Corporate Responsibility Report and Annual Report and Accounts.

*Where appropriate, data from prior years are used for trending or comparative data

Our performance at a glance

National Grid delivered strong financial performance in 2007/08. Pretax cashflow from our continuing operations was more than £3.2 billion, revenue was more than £11.4 billion, while adjusted operating profit* from continuing operations and adjusted earnings per share* from continuing operations were higher by 28 per cent and 25 per cent, respectively, compared to the year before. Please see table on page 27 for our performance in the areas of safety, inclusion and diversity, environmental and social responsibility.

Our company vision

National Grid's vision encompasses all we do, and reads:

“We at National Grid will be the foremost international electricity and gas company, delivering unparalleled safety, efficiency and reliability, vital to the well-being 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.”

- ◆ **We at National Grid.** Our people are what make us the great company we are. The talent in our organisation is what drives us forward, and our commitment to developing that talent – and nurturing our people – is the foundation of our reputation.
- ◆ **Delivering unparalleled safety, efficiency and reliability.** We are determined to be the best we can be. This is our brand promise.
- ◆ **Customer and community.** Every minute of every day, we have a significant impact on people's lives. We recognise our role in communities and society, and are committed to making sure we have a positive impact in the communities we serve.
- ◆ **Safeguarding our global environment.** We want to be able to look back proudly, knowing we helped pave the way for serious environmental strides in critical areas such as climate change – where we're targeting an 80 per cent reduction in our own greenhouse gas emissions by 2050.

*Excludes exceptional items, remeasurements and stranded cost recoveries

Stakeholder review

National Grid worked with Ceres – a leading US network of investors, environmental organisations and other public interest groups that collaborates with companies on sustainability issues – to review this summary report. We also participated in a call with representatives from various environmental, social and investor organisations around the world for feedback.

We believe our internal and external stakeholders for this report include:

- ◆ existing and prospective investors
- ◆ customers and consumers
- ◆ employees and retirees
- ◆ trade unions
- ◆ local communities
- ◆ UK, US and European Union (EU) policy makers
- ◆ suppliers and contractors
- ◆ non governmental organisations
- ◆ industry professionals
- ◆ government and regulators
- ◆ academia.

Sustainability reporting guidelines

This printed version of our Corporate Responsibility Summary Report, along with additional information available on the National Grid website, is compiled and presented based on the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (G3) and the Electric Utility Supplement.

GRI guidelines provide a voluntary reporting framework used by organisations around the world as the basis for sustainability reporting. GRI is the generally accepted format and framework for ‘measuring, disclosing and being held accountable to internal and external stakeholders for organisational performance toward the goal of sustainable development’.

At the end of this summary report, you’ll find an index identifying where we satisfy the GRI reporting guidelines, as well as a chart listing key performance indicators.

Completeness, reliability and accuracy

National Grid’s internal governance/verification processes ensure completeness, reliability and accuracy. Each line of business has collected data for which it is responsible. Much of this information can be viewed on www.nationalgrid.com

Assurance

National Grid uses various methods of internal verification and external reviews to assure the material we present is accurate, representative and balanced. Internal verification includes auditing, peer and data reviews. External reviews include assurance of financial and other data as obtained from the company’s Annual Report and Accounts. For more detail on the assurance provided for this report, please see our website: <http://www.nationalgrid.com/corporate/Our+Responsibility/Assurance>



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About our company

Who we are and what we do

National Grid is an international electricity and gas company based in the UK and northeastern US. Following the successful acquisition of KeySpan in August 2007, our growing operations are now approximately 50 per cent UK/50 per cent US, as well as roughly 50 per cent electricity and 50 per cent gas. Throughout all of these operations, we play our vital role in a safe, efficient and reliable way.

Transmission is the bulk movement of energy from its source to areas of demand

Distribution is the delivery of energy to end consumers within a geographic area

Generation is the production of electricity

Electricity – Transmission UK

In the UK, we take electricity from generation plants, which tend to be in remote or industrialised areas, and transport it through our transmission network, all over the country to areas of demand, where we hand responsibility over to the distributors. In Scotland, we operate but do not own the network. We are responsible for ensuring that generation input always exactly matches demand output at the correct voltage and frequency. We are required to be able to meet the highest predicted demand in the coldest winter in a 20 year cycle.

Gas – Transmission UK and Gas Distribution UK

We take gas from the terminals and transport it nationwide, through our transmission system, to areas of demand, where we hand over responsibility to distributors. We are also the largest distributor in the UK, and we take gas, which is at high pressure for efficiency, and deliver it on behalf of suppliers to consumers, dropping the pressure on the way to make it safe for use. We are responsible for ensuring we are able to meet the varying demand each day, using storage mechanisms to compensate for

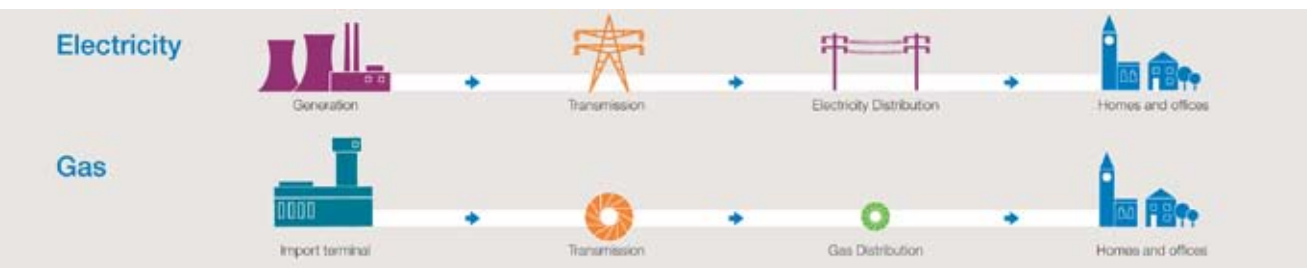
a flat rate of input and constantly changing output. We run the UK national emergency call centre and respond to all reported gas escapes (leaks) within our service area.

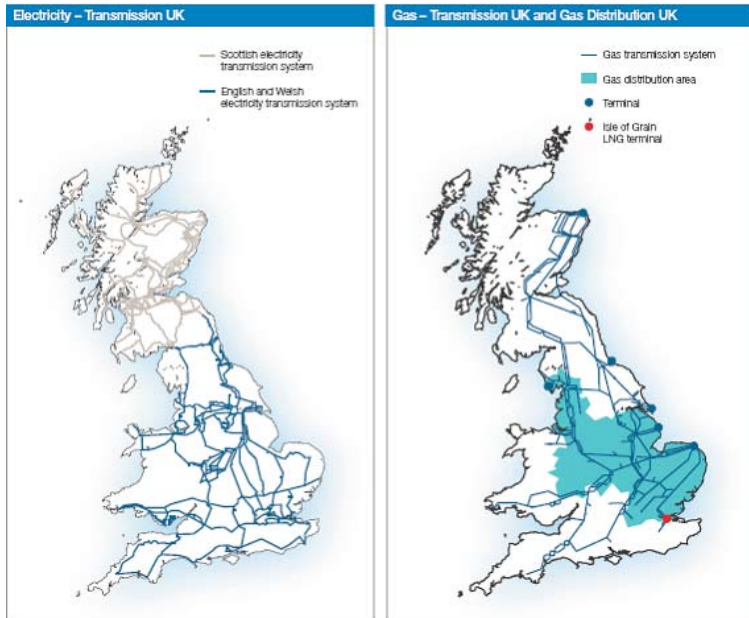
Electricity – Transmission US and Electricity Distribution & Generation US

In the US, our electricity transmission systems also transport electricity from generators to areas of demand. We own distribution networks which take electricity from the transmission systems and deliver it to consumers. The electricity from the transmission systems is at high voltage and this needs to be reduced, through a series of substations, to make it safe for use. We not only deliver on behalf of suppliers, but also supply to our own customers. On Long Island we operate and maintain the electricity networks on behalf of the Long Island Power Authority. We also own generation plants capable of generating 4.1 gigawatts on Long Island.

Gas – Gas Distribution US

Our gas distribution systems take gas from the inter-state gas transmission systems and import terminals and deliver it to consumers. To move it efficiently, the gas from the transmission systems is at high pressure, and this needs to be reduced, through a series of pressure reduction stations and governors, to make it safe for use. We deliver the gas on behalf of suppliers, and also supply to our own customers. We run the emergency call centres and respond to all reported gas escapes within our service areas.





Key facts about our operations:

Electricity transmission (UK and US)

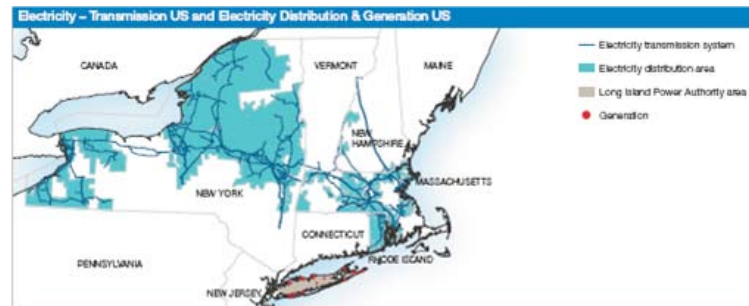
- ◆ Over 20,800 kilometres of electrical overhead lines
- ◆ Over 800 kilometres of electrical underground cable
- ◆ 303 terawatt hours (TWh)* electricity transmitted in the UK

Gas transmission (UK and US)

- ◆ Nearly 7,400 kilometres of gas pipeline
- ◆ 1,134 TWh of gas throughput

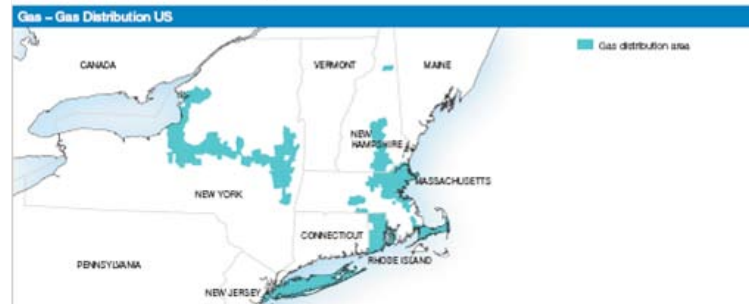
Gas distribution (UK and US)

- ◆ Around 190,000 kilometres of gas pipe
- ◆ More than 14.3 million consumers
- ◆ Around 13,000 pressure reduction sites including district governors
- ◆ More than 9.2 million cubic metres of gas storage capacity



Electricity distribution & generation (US)

- ◆ More than 116,000 kilometres of circuit
- ◆ 3.4 million customers
- ◆ 31 TWhs of electricity delivered
- ◆ 680 substations
- ◆ 57 electricity generation plants at 13 locations across Long Island
- ◆ Long Island Power Authority serving 1.1 million customers over 21,000 kilometres of circuit and 170 substations, delivering 20 TWhs of electricity



Note: National Grid also has a number of related businesses such as LNG importation and storage, land remediation and metering

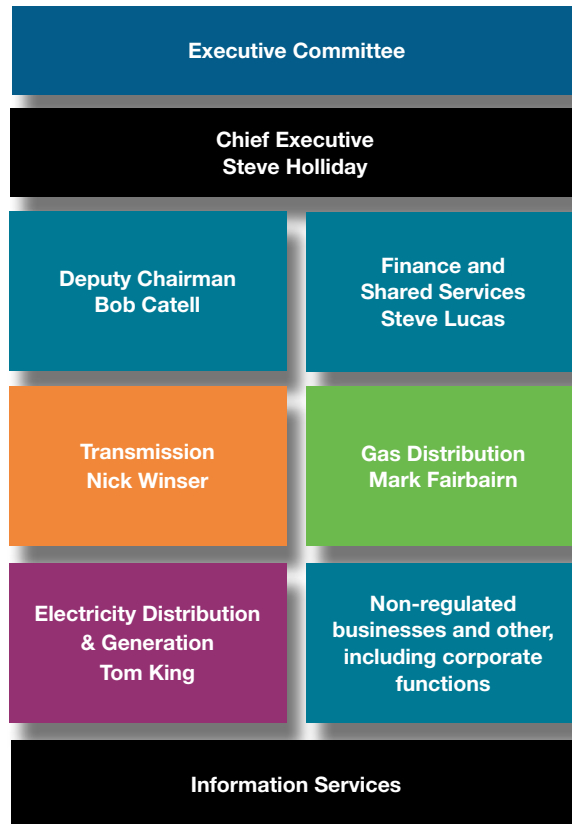
* The next level up from a gigawatt, a terawatt is equal to 1 trillion watts

Our organisational structure

Our organisational structure and executive responsibilities are designed around a philosophy of ensuring we have the appropriate balance between activities that are local, by lines of business and those that are common throughout National Grid. The Board of Directors has overall responsibility for governance and the overall business strategy of National Grid. The Executive Committee, led by the Chief Executive, is responsible for day-to-day management of National Grid and the execution of our strategy as approved by the Board. In addition to the Executive

Committee, the Board has established several other committees that exercise governance over National Grid's activities, including the Finance, Risk & Responsibility, Remuneration, Nomination and Audit Committees.*

*For a more detailed discussion of National Grid's various board committees, go to our Annual Report and Accounts 2007/08



Corporate governance

How we handle this critical area

The Board of National Grid is committed to the highest standards of corporate governance, and to operating our businesses in a sustainable and responsible manner. This is driven by our **framework for responsible business** and is underpinned by our standards of ethical business conduct, our suite of policies and public position statements, and well defined internal control processes.

Our framework for responsible business defines the principles by which the company manages its international businesses, sets the context for corporate governance, and assists leadership in taking into account economic, environmental and social factors in all decision making.

Our framework is based on three overriding business goals, each with multiple underlying values:

Sustainable growth

- ◆ Contribute to the economic growth of the countries in which we operate through the way in which we manage and invest in our business
- ◆ Act with honesty and integrity as we undertake and develop our business
- ◆ Protect the future of our business by proactively managing existing and future non financial and environmental risks
- ◆ Value our employees through inclusion
- ◆ Employ the right number of people with the right skills for the work we have to do
- ◆ Treat our employees fairly
- ◆ Act in accordance with all laws and regulations
- ◆ Respect human rights.

Profits with responsibility

- ◆ Improve our efficiency without compromising reliability and integrity of our operations
- ◆ Maintain a sound system of internal financial controls

- ◆ Be efficient in our use of natural resources
- ◆ Keep our waste to a minimum and increase the economic value of any waste we produce
- ◆ Help protect the environment for future generations, including making our contribution to minimising climate change
- ◆ Safeguard each other and those who work with us by operating an injury-free and healthy workplace, and protect the safety of our public through the integrity of our operations
- ◆ Help our employees balance work with their other commitments
- ◆ Respect our customers and suppliers by conducting our business in a professional manner
- ◆ Be open and constructive in the dialogue we have with our stakeholders.

Invest in the future

- ◆ Seek to deliver progressively increasing returns for our shareholders
- ◆ Enable others to contribute to economic growth by providing high quality, dependable services
- ◆ Improve, wherever we can, the environmental status of the land on which we operate
- ◆ Contribute to the development of new laws and initiatives aimed at improving the environment and overall quality of life
- ◆ Develop our employees so they can add value to the company, to themselves and to society
- ◆ Recognise and reward our employees for the contribution they make
- ◆ Encourage and support investment in the community through both the activities of our employees and our financial contributions, with an emphasis on developing partnerships.

All National Grid businesses must operate within the guidelines and context of our framework, whose underlying corporate governance policies, procedures and processes include:

- ◆ **Standards of ethical business conduct** – applies to all our employees, with all employees receiving periodic training
- ◆ **Risk management procedure** – requires half-yearly (semi-annual) risk assessment and reporting on significant risks the company faces
- ◆ **Compliance management procedure** – half-yearly (semi-annual) risk assessment and reporting on significant compliance risks the company faces
- ◆ **Delegation of authority** – establishes a cascading hierarchical matrix listing of executives, managers and employees who have the authority to commit company resources
- ◆ **Letters of assurance** – establishes an annual process for cascading formal statements on risk, compliance management, internal controls, corporate responsibility and overall governance from senior management to the Board of Directors.

In short, National Grid has policies, public position statements and internal control procedures to ensure the most important issues relating to corporate governance and ethical conduct are managed appropriately. Key policies cover areas such as safety and occupational health, anti-fraud and bribery, conflicts of interest, protection and disclosure of inside information, environment, human resources, information and records management, and community investment.

During 2007/08, an assessment of risk and compliance management was conducted twice for all National Grid businesses across our global territory. There were no instances discovered of significant corruption, anti-competitive behaviour, anti-trust or monopoly behaviour, and no instances of significant monetary fines or non monetary sanctions for non compliance with laws or regulations. All allegations of misconduct of any kind on the part of company employees were investigated



thoroughly and on a timely basis through resolution, with appropriate disciplinary actions administered, up to and including termination of employment.

Benchmarking our performance

Why it's so important

National Grid participates in several public benchmarks, rating and other comparisons of company performance, provided by independent agencies that look at our economic, environmental and social performance. Some of the benchmarks we participate in include:

- ◆ Dow Jones Sustainability Indices
- ◆ FTSE4Good
- ◆ Business in the Community
- ◆ Claremont McKenna.

We believe benchmarking our performance is an important part of understanding the impact we have on society and identifying improvements we can make in the future.

Economic responsibility

Overview

National Grid had a strong set of results in 2007/08, reflecting our strong commitment to economic responsibility. The year was characterised by a renewed focus on our core businesses – gas and electricity transmission and distribution networks in the UK and US – as well as realigning our operating model to reflect the similarities of our businesses. A major part of this focus was the KeySpan acquisition. Completed in August 2007, this transaction resulted in approximately 50 per cent of our business now being located in the US.

Our financial highlights

National Grid reported positive financial results for 2007/08. The company reports results in accordance with international financial reporting standards as adopted in the European Union. Here is a breakdown of our 2007/08 financial performance for continuing operations:

2007/08 performance	
Revenue	£11,423 million
Adjusted operating profit*	£2,595 million
Cash flow generated from operation	£3,268 million
Return on equity**	11.8% (three year average)
Adjusted earnings per share	48.0 pence
Revenue by business segment	
Transmission UK	£2,956 million
Transmission US	£299 million
Gas Distribution UK	£1,383 million
Gas Distribution US	£2,845 million
Electricity Distribution & Generation US	£3,508 million
Other activities	£642 million

*Excludes exceptional items, remeasurements and stranded cost recoveries

**Not for continuing operations. A full definition and worked calculation for this metric can be found at <http://www.nationalgrid.com/corporate/Investor+Relations/Financial+performance/>

NOTE: These results incorporate activities associated with KeySpan subsequent to August 24, 2007

Our ongoing commitment to reliability

Our principal operations are critical to our communities and the economies we serve. The reliability of our energy networks is one of the company's highest priorities. And we are continuing to see improved performance as a result of our comprehensive reliability enhancement programme, which will involve investment of millions of dollars through 2012 in the US. We also maintain a substantial investment commitment in the UK.

Overall, National Grid employs a three-pronged approach to maintain and enhance reliability:

- 1. Invest in infrastructure and systems** – provide the operational tools and techniques necessary to manage our assets and operations to high standards and invest in the renewal of assets
- 2. Invest in the skills and capabilities of our people** – give them the ability to operate our networks to a high degree of service excellence
- 3. Maintain a constant focus on reliability** – ensure we are proactive about planning and that we react quickly to factors that could compromise reliability.

Our reliability enhancement programme

One of the centrepieces of National Grid's commitment to reliability is our reliability enhancement programme, which is improving upstate New York transmission and distribution reliability through both capital and maintenance spending initiatives. Our efforts focus primarily on replacing assets, tree management and expanded electric system maintenance.

The dollars are included in our overall planned capital investment in upstate New York and New England. National Grid is also committed to maintaining the field forces (internal and contractor) necessary to provide reliable service. And it is continuing to support Long Island contractors and field forces necessary to continue what has been good service reliability in our downstate New York region.

In the UK, National Grid has invested more than £12 billion in its gas and electricity transmission networks over the last 17 years.

Environmental responsibility

Overview

National Grid is committed to a year-by-year improvement in our environmental performance. Our environmental policy sets out the key areas we are addressing, and we are implementing environmental management systems certified to the international standard, ISO 14001, to help us deliver improvements in these areas.

We are committed to mitigating climate change, and conserving natural resources, as we transport electricity and natural gas safely, efficiently and reliably. To achieve these commitments, National Grid has invested in and committed resources – empowering our people accordingly. Other critical areas, as you'll see, include strict compliance procedures, waste reduction strategies, and a solid commitment to responsible site investigation and remediation.

Our environmental policy

The guiding document for all of our company's environmental programmes is our environmental policy, a portion of which reads as follows:

“National Grid is committed to the protection and enhancement of the environment, always seeking to minimise the impacts of our past, present and future activities. We believe that everyone is responsible for good environmental performance and we incorporate environmental considerations into all of our business activities.”

The basic components of the environmental policy are that National Grid will:

- ◆ meet, and where appropriate, exceed the requirements of legislation, policies, charters and other commitments to which we subscribe
- ◆ prevent pollution, including the releases of oil and hazardous materials, wherever we can
- ◆ minimise and properly manage the waste we generate and reuse or recycle waste whenever economically feasible
- ◆ provide visible leadership that promotes strong environmental performance
- ◆ help protect the environment for future generations by making our contribution to minimising climate change.

Our environmental policy statement is publicly available and can be found at www.nationalgrid.com



National Grid's commitment to climate change

As a major international electricity and gas company, National Grid is committed to being an innovative leader in energy management and safeguarding our global environment for future generations. Climate change is possibly one of the greatest single challenges facing society in the 21st century.

And as one of our strongest commitments to helping the environment, National Grid has implemented an ambitious company wide climate change strategy. This strategy aims to produce a low carbon business model that: reduces carbon dioxide (CO₂) and other greenhouse gases; promotes renewable energy; and supports international, national and regional legislation to cut greenhouse gas emissions in all sectors of the economy.

As part of this **global climate change initiative**, we are committed to working to meet the climate change challenge and embrace energy efficiency. And we are encouraging businesses, organisations and individuals to do the same. In the US, for example, we are helping residential and commercial customers use electricity and natural gas wisely to help them save money and allow us to reduce emissions associated with energy use.

During 2007/08, we reviewed our climate change strategy (first approved in 2006), and concluded that National Grid had an opportunity to lead the energy industry in this area. As such, we unilaterally increased our target of reducing greenhouse gas emissions from our operations to 80 per cent by 2050, as against 1990 levels. This compares with our previous 60 per cent target. We believe this is leading the energy industry and leads the way for significant reductions in greenhouse gas emissions by industry. It also demonstrates to our other stakeholders – including regulators, customers and legislators – the aspirations of National Grid in this critical area.

Our climate change initiative principles

Here are the principles upon which National Grid's climate change initiative is based:

- ◆ Fully integrating sustainability and climate change consideration into all our business decisions, including setting carbon budgets within each of our lines of business

- ◆ Influencing legislators and regulators to reshape energy markets to meet the climate change challenge
- ◆ Helping and supporting our customers, employees and suppliers to change their behaviour to be more considerate of the environment.

Our performance to date

We report greenhouse gas emissions in line with our corporate responsibility reporting principles, which includes our interpretation of the World Resources Institute Greenhouse Gas Protocol (www.wri.org/publication/greenhouse-gas-protocol-corporate-accounting-and-reporting-standard-revised-edition). The protocol provides a breakdown of direct emissions (scope 1) indirect emissions resulting from purchased electricity (scope 2) and other indirect emissions (scope 3). We believe our breakdown provides greater transparency and focuses attention on our scope 1 and 2 emissions, over which we have the greatest control.

Against our baseline for continuing operations, we have achieved an approximate 38 per cent greenhouse gas reduction to date. During 2007/08, our scope 1 and scope 2 greenhouse gas emissions amounted to approximately 4.1 million tonnes CO₂ equivalent, compared with 4.3 million tonnes in 2006/07 and 4.8 million tonnes in 2005/06 ... so we're making steady progress.

A detailed analysis of National Grid's greenhouse gas emissions, including those associated with sulphur hexafluoride, energy use and transport, is available on our website – www.nationalgrid.com

Here are some innovative environmental programmes National Grid is pursuing...

'Green is blue' in the UK

Blue-NG – a joint venture between National Grid and renewable energy company 2OC – is pioneering a new renewable energy unit that takes conventional combined heat and power technology to a new world-beating level. Known as CHiP (combined heat and intelligent power), the unit can track and match demand, needs no support base load and has capacity for variable supply beyond a specific demand pattern.

Blue-NG plans to install engines fueled by sustainable bio-liquids to generate electricity on existing gas sites. Heat from the CHiP engines will be deposited into the gas flowing through National Grid's pipeline system at pressure reduction stations in the UK. As pressure is reduced by expansion turbines connected to a generator, the same quantity of heat is recovered from the gas to generate additional electricity.

Best of all, this heat recovery process does not use any gas. It also boosts the electrical efficiency of the CHiP to a level unsurpassed by any other form of power generation technology in commercial operation today.

The first two trial sites for Blue-NG are planned for Beckton and Southall in the London area and are targeted to come online in late 2010. If trials prove successful, the technology has the potential to be rolled out across the UK, US and beyond. What's more, Blue-NG units will have the ability to become even more efficient by supplying further surplus heat to nearby industry and homes in the future.

Energy efficiency in the US

Demonstrating our commitment to climate change reductions through energy efficiency, National Grid recently won the Association of Energy Services Professionals' 'Outstanding Achievement in Program Implementation Award' for its energy efficiency programmes in the US.

National Grid received this prestigious award for providing a comprehensive portfolio of energy efficiency programmes targeting all customer groups in Massachusetts, Rhode Island and New Hampshire continuously for more than two decades. These programmes have saved billions of kilowatt hours of electricity, customers billions of dollars and millions of tonnes of greenhouse gas emissions associated with electricity production, thereby reducing gases that contribute to climate change.

We're studying repowering

In the US, National Grid is also conducting a comprehensive engineering study to determine the cost and approach for repowering its Northport and Port Jefferson electricity generating stations.* Repowering introduces new, state of the art electricity

generation technology to replace or displace existing, less efficient, higher emitting conventional steam technology.

Northport and Port Jefferson currently employ conventional steam electricity generation typical of the bulk of generation capacity in the US. This technology produces electricity at approximately 35 per cent efficiency. Much of the energy is lost either up the chimney-stack as hot exhaust or in the cooling water discharge. Repowering would introduce combined cycle technology, which extracts and uses energy normally wasted. This combined cycle approach will improve the efficiency of the generating facility by about 30 per cent.

As well as greatly improving fuel efficiency and reliability, air emission rates would also dramatically reduce. Nitrogen oxide (NOx), sulphur dioxide (SO2) and CO2 emission rates will be reduced by more than 90, 30 and 30 per cent respectively.

*National Grid is working with the Long Island Power Authority on repowering studies

Our environmental management system

National Grid's environmental management system (EMS) guides us through our daily operations in ways that protect the environment. It's a structured process for monitoring and controlling the environmental impacts of our day-to-day operations. And we continuously strive to improve our system through new policies, procedures, third party review and employee training.

Conforming to international standards

While having a strong environmental management system is important to driving sustainable performance for any company, its full benefits are best appreciated with a third party review. That's why we made the decision to adhere to the international standard for environmental management systems, ISO 14001.

Since we made that decision, the majority of the electricity and gas transmission and distribution systems in the UK and US have been certified to the standard by independent accredited registrars (excluding the KeySpan assets acquired in 2007/08). This year, we are working to train employees in the legacy KeySpan region to ensure its practices are also in line with the standard.



We believe the combination of our environmental policy, review of our environmental management system by independent registrars and stakeholder engagement will continue to help move our environmental and sustainability programme forward.

EMS goals

As part of National Grid's environmental management system, we set goals each year to further the programme. And National Grid made progress in 2007/08 in achieving its environmental goals, which focused on a wide range of activities ... from climate change and compliance to training and reporting. We've also established environmental goals for 2008/09, which again include key areas of climate change, compliance assurance and environmental management systems.

Compliance data

National Grid is committed to maintain compliance with applicable environmental laws, rules and regulations and, when possible, exceed them. Here is the compliance data for 2007/2008:

Notices of violation

We received six notices of violation in 2007/08. Of these, only one (in the US) resulted in a fine of \$1,000.*

*KeySpan not included; will be reported in 2008/09

Environmental incidents

The number of significant environmental incidents in 2007/08 arising directly from our operation was 34, which included 25 contractor related incidents (again, includes UK and US operations).

Significant environmental incidents			
	2005/06	2006/07	2007/08
National Grid's fault	22	20	9
Contractor-caused	1	20	25

Continuous commitment to training

National Grid supports its compliance objectives by promoting employee environmental awareness through frequent and comprehensive training programmes.

Employees involved in activities that could have a significant environmental impact – including hazardous waste management and spill response – receive training specific to their job responsibilities and according to regulatory requirements.

Training takes several forms: classroom, video refresher or computer based. All employees are made aware of National Grid's environmental policy, the requirements of the company's environmental management system, environmental procedures and guidance documents, as well as operating procedures and applicable regulatory requirements. Our training programmes also help employees safely perform their duties when handling hazardous waste, oil and other hazardous materials.

Minimising waste – how we do it and why

As part of our environmental activities, National Grid continues to commit to reducing the amount of solid waste we generate, as well as fuel, paper and other resources we consume in both the UK and US. In fact, minimising, properly managing, reusing and recycling waste materials is one of many principles defined in the company's environmental policy.

Waste minimisation policies are communicated to National Grid staff through training materials, videos, and informational and educational articles. Internal audits of environmental practices at National Grid facilities also ensure adherence to company policy procedures.

During 2007/2008, National Grid generated approximately 1.1 million tonnes of waste. Of these, nearly 69 per cent was recycled or renewed.

Waste summary*			
	2005/2006	2006/07	2007/08
Total waste	1,208,906	1,235,320	1,064,404
Waste recycled	488,344	734,248	732,156

*Does not include KeySpan

Investment recovery is expanding

National Grid's many and varied investment recovery programmes in upstate New York and New England continued to thrive in 2007/08, and the programmes were being expanded to downstate New York in September 2008. These recycling programmes include ferrous/non ferrous metals, wire processing, transformer, wood, paper, plastic and computer/electronics. In 2007/08:

- ◆ National Grid embarked on a new transformer oil recycling programme. The recycling and disposal companies will process or dispose of all used oil in New York, Massachusetts, Rhode Island and New Hampshire. National Grid expects to recycle more than 400,000 gallons of used transformer oil each year.
- ◆ Our investment recovery centre aggressively launched an internal website for all of its used, refurbished and/or surplus material and hardware to internal operations and line customers. Our hope is that internal customers will have the opportunity to acquire this material before it's offered to the public for sale. We expect to save more than \$500,000 in cost avoidance of these materials. And we will soon be adding surplus and used equipment to this website as well.
- ◆ In addition to its main, Syracuse facility (see below), Investment Recovery also opened a smaller scale recycling centre at the New England distribution centre in Whitinsville, MA. Like Syracuse, this work centre – servicing Massachusetts, Rhode Island and New Hampshire – employs mentally and physically challenged staff.

Investment recovery at its best

Recycling plays an important role in the company's efforts to minimise waste and use resources more efficiently. National Grid's investment recovery centre – a state of the art recycling facility located in Syracuse, New York – is the centrepiece of a corporate effort to reduce waste, and costs, by seeking solutions to environmental issues such as solid waste.

The facility is ISO 14001 certified (see page 13), and processes a variety of materials from the company's transmission and distribution operations, substations, corporate offices and vehicle fleet. It not only provides environmental and social benefits to the community, but also significant financial benefits to the company. Among the centre's services are the sale of excess inventory, obsolete material and stock materials to other utilities; and safe, environmentally sound disposal of unusable materials.

At the centre, 35 to 40 mentally and physically challenged individuals are also given the chance to experience a normal working life and are paid for their efforts. They work and are trained in the investment recovery warehouse, which leaves them able, in time, to move to similar jobs elsewhere.

Our environmental audit programme

National Grid's environmental audit programme aims to provide independent verification and assurance to management that the company's operations are performed according to applicable environmental statutes and regulations ... and that they conform to internal environmental policies and procedures. Also to determine if environmental management systems are in place to ensure continued conformance.

During 2007/08, risk based audits focused on various company sites and assets, such as service centres, substations and transmission line rights-of-way. The process used for the audits was consistent with state of the art environmental auditing protocols.

Exceptions to either external regulatory requirements or internal company procedures are noted within each report issued through the programme. The audit team also presents management with recommendations to resolve each exception. These recommendations are made not only to generate corrective action, but also to request that management provide a resolution to prevent exceptions from recurring.



Proper site investigation and remediation: the benefits

As you can see, National Grid is committed to protecting the environment and acting as a responsible environmental steward across all the regions where we operate. That commitment includes the critical area of site investigation and remediation.

We are dedicated to meet and, where practical, exceed regulatory standards to prevent contamination of land, water and sediments from our operations. Where contamination from historical industrial operations has occurred, National Grid is committed to protecting human health and the environment in responsible, efficient

and cost-effective ways. The company is also dedicated to addressing its environmental liabilities using sound science and engineering practices.

It's National Grid's job, for example, to clean up former manufactured gas plant (MGP) and other operational sites, just as it's the responsibility of energy companies around the world to remediate their legacy sites. It's the right thing to do ... and, it's the law.

National Grid manages land contamination issues on 529 sites (not including KeySpan sites), the majority of which were previously used for gas production. In the US, this includes obligations related to land owned by third parties. During 2007/08, environmental work stages were completed on some 189 sites, of which 33 included remediation.

National Grid is also at the forefront of research that can help minimise:

- ◆ risks associated with remediation
- ◆ disruptions to the environment
- ◆ inconvenience to neighbouring customers
- ◆ remediation costs.

2007/08 success story: Brooklyn Borough Gas Works Site

The Brooklyn Borough Gas Works Site is located in the densely populated Coney Island section of Brooklyn, NY and operated as an MGP from 1900 to the 1950s. Final demolition of the gas holders took place in the 1970s and the site was used as a gas receiving station until the 1980s. From 1988 on, the 13-acre site remained vacant.

Over the past few years, National Grid has been conducting careful remediation of this site, with the aim of protecting the public from environmental danger and returning the site to productive public use. And by early 2009, this important work should be complete.

Remediation has occurred in two stages. In 2004, a sealed sheetpile wall was installed around the entire perimeter of the site to prevent tar from seeping into adjacent Coney Island creek. Remediation in 2007 included excavating and removing 55,000 cubic yards of coal tar impacted soil from the uplands area of the site, and dredging 87,000 tons of sediment from the creek. The excavated sediment was amended with cement and recycled to fill in the uplands excavation – which saved the additional energy, manpower and cost required to transport and thermally treat the sediment off site.

Another major activity was installing a collection trench, which removed light oils and tars from within the sheetpile wall and prevented migration off site. And we reached yet another milestone when we created an environmental cap by placing clean fill, clay and topsoil to support the various plantings and grass to cover the site.

Throughout this complicated remediation, National Grid performed extensive outreach to ensure community members were aware of what was happening and why. We distributed fact sheets, and conducted periodic briefings for community board members and elected officials. And New York City is eagerly seeking to redevelop this property into an infrastructure maintenance and support facility, which is desperately needed in this burgeoning section of Brooklyn.

We have also restored the Coney Island creek by removing the bulkhead and replacing it with a graded bank. The bank has been planted with carefully selected species that vary from the creek to the uplands – wetland plants at the creek level and terrestrial plants at the site level – to encourage the return of birds and fish.

Another great success: remediation of gasworks at Dundee and Leven, Scotland

Recently, National Grid completed an award winning remediation project in Scotland that received UK wide interest, as well as serving as an innovative example of an economically sound, environmentally sustainable solution.

The project to remediate part of the former gasworks at Dundee saw the integration of innovative technology and working methods into a challenging civil engineering project at a sensitive location. Of some 22,500 tonnes of contaminated material treated, none was removed to landfill ... despite highly elevated starting concentrations of tar related contaminants. Instead, 100 per cent of the treated material was re-used on site and the process itself did not produce any by-products requiring disposal.

This was all accomplished through low temperature thermal desorption (LTTD), which uses heat to physically separate contaminants from soil. The gaseous contaminants are then treated to ensure that any emissions fall within strict UK limits.

Based on the successful outcome at Dundee, National Grid also remediated a smaller gasworks site at Leven in Fife, some 37 kilometres (23 miles) away. At Leven, some 1,000 tonnes of material heavily contaminated with coal tars had been identified as exceeding acceptable limits for disposal to landfill.

National Grid completed the two remediations as part of what is known as an operating 'cluster site', the first in the UK. This is where material from remote sites is brought to one central hub for treatment, then returned after validation to its point of origin. The strategy represents one of the most significant advances for the remediation industry in recent years, with considerable opportunity for widespread application.

National Grid was awarded 'Most Innovative Remediation Method' by Brownfield Briefing for this trailblazing project ... which represented the first use of LTTD in Scotland, and the first successful commercial application of LTTD on UK gasworks wastes, one of the most demanding streams of contaminated soils.

In short, this groundbreaking project initiated several nationally significant advances in the clean up of brownfield land. The selected methodology was economically attractive. And environmental benefits included reduced vehicle movements, no requirement for landfill space and no need for replacement material to infill a void. In addition, the local community experienced no significant inconvenience and now greatly improved the potential for development on a previously unsuitable site.



Social responsibility

Overview

As with its service reliability and environmental performance, National Grid is committed to pursuing socially responsible policies and practices. To support this commitment, the company focuses attention on a wide range of employee evaluation, training and development activities, as well as programmes aimed at promoting inclusion and diversity. We also have a well documented health and safety programme, and initiatives to promote human rights, volunteering and community involvement. Our overall aim to make sure our company's programmes and processes are responsive to the needs of employees, customers, communities and other stakeholders throughout the UK and US.

Our employees – the key ingredient for our success

National Grid recognises that our key to success is our employees; by investing in our people, we're also investing in the future of our business. That's why we are determined to provide the awards – both financial and non financial – to make sure all our people share in our success, now and in the future. We're also committed to finding, and retaining, the best pool of talent we can.

Employee and management summary 2007/08

Total global workforce – 27,577 employees:

- ◆ 10,233 – UK
- ◆ 17,145 – US
- ◆ 5 – rest of the world
- ◆ 204 – discontinued operations (businesses we've exited or are committed to exit)

Where most employees work:

- ◆ 9,136 – Gas Distribution
- ◆ 5,543 – Electricity Distribution and Generation
- ◆ 3,678 – Transmission

- ◆ 3,166 – non regulated businesses and other (such as metering services, property management, LNG)
- ◆ 28 – total number of unions (UK 8; US 20)
- ◆ 15,320 – estimated number of office employees
- ◆ 12,050 – estimated number of field employees

Recruiting and developing talent

Recruiting and retaining talented individuals is key to any business's success, and National Grid is working to make sure all employees who work in our company are developed to reach their full potential and contribute their best. We're doing that by creating a work environment that motivates them to continually improve; develops their skills; and promotes a culture that recognises and respects inclusion and diversity:

- ◆ We solicit and listen to employee opinions – on an ongoing basis but also through periodic surveys, where we can identify and act on our strengths and areas for improvement (see 'Engaging employees' on next page)
- ◆ We strengthened our talent management processes in 2007/08 – creating plans for senior management and business critical roles
- ◆ For the first time this year, we've conducted cross-business talent planning sessions – using consistent processes to support senior management in developing employees within each business area and to address succession issues
- ◆ We've intensified our focus on developing the talent of current and future business leaders – with continued growth in the number of participants in our leadership and management network.

We're also building a skilled workforce of the future. In the UK, we recruited more than 150 trainees to our apprentice, foundation engineer, graduate and student programmes in the past year. Launched in early 2006, our UK foundation engineering programme facilitates the entrance, training and progression of talented people into key engineering roles.

In conjunction with Aston University and our industry sector skills council in the UK, we have also designed an industry specific foundation degree, and we are pleased with the results so far.

Our US university programme, used for engineering recruitment, brought in 29 new engineers in 2007. With the completion of the KeySpan acquisition, we are working with our university partners to implement best practice and ensure consistency across National Grid's global business when it comes to talent recruitment.

And through our e-futures strategy, we continue to organise and sponsor various educational initiatives in the UK. These are designed to increase the number and diversity of young people interested in engineering careers and, ultimately, to create and sustain a greater pool of skilled talent from which we can recruit. Over the last year, more than 4,900 young people participated in these initiatives. Key to this success has been the dedicated involvement of our employees.

Engaging employees ...

... through performance management

To make sure employees want to stay and work at National Grid, we're building an environment that rewards continuous improvement. In 2007/08 we took a major step towards achieving that goal by launching '**performance for growth**' – a world-class performance, talent and reward system for all employees across the UK and US.

Through performance for growth, we're developing common performance processes and a single set of performance criteria, with pay linked to leadership qualities (how we deliver) as well as operational and financial performance (what we deliver). We're also clearly differentiating performance levels.

Performance for growth is designed to help employees unlock their potential, and align everyone's efforts behind the company's global strategy and vision. It's also part of our overall effort to create a fairer, more transparent and consistent process for evaluating and rewarding the performance of our employees at all levels and across all lines of business.

We've successfully trained more than 800 senior managers already, and we're in the process of rolling the programme out to all managers of employees who will participate in this new performance process.

... by listening to them!

We're listening – and responding – to what employees have to say, especially when it comes to improving how we operate. In February 2008, we conducted a comprehensive employee engagement survey, the first since completion of the KeySpan acquisition. More than 23,000 employees – 83.6 per cent of our people – took part in what will now be an annual exercise. This response rate was more than 28 per cent higher than that achieved in our last survey in 2006.

The survey showed that our employees see our safety-focused and supportive work environment as real strengths. They think we can make progress in the areas of providing more open and honest communications, greater clarity around our vision and direction, and a stronger link between performance and reward. In addition to steps we've already begun to take in areas such as performance management and communications, action plans are being developed and built into managers' objectives for the coming year.





National Grid's 'golden rules' of safety

National Grid is looking to safeguard all employees, and those who work with us, by operating an injury-free and healthy workplace. We're also committed to protecting the safety of the public. We believe safety is paramount, that all unsafe acts and work-related injuries and illnesses are preventable, and that we should safeguard the public in everything we do. Specifically, our safety vision calls for us to:

- ◆ know we did everything possible to prevent unacceptable risks to our colleagues and the public
- ◆ take personal responsibility for our health and safety and that of others, and ensure line managers are accountable for the health and safety of their teams
- ◆ create a culture where we constructively challenge unsafe behaviours wherever they occur
- ◆ learn lessons quickly and find solutions that prevent colleagues or the public from being injured in the future
- ◆ stop work and ask for assistance when we think our safety or that of colleagues or the public is at risk
- ◆ encourage and support our employees to improve safety outside the workplace
- ◆ require our contractors to operate at the same high standard we do, and encourage them to share our vision and belief
- ◆ build on the commitment of everyone to make the continuous improvements necessary to achieve our vision.

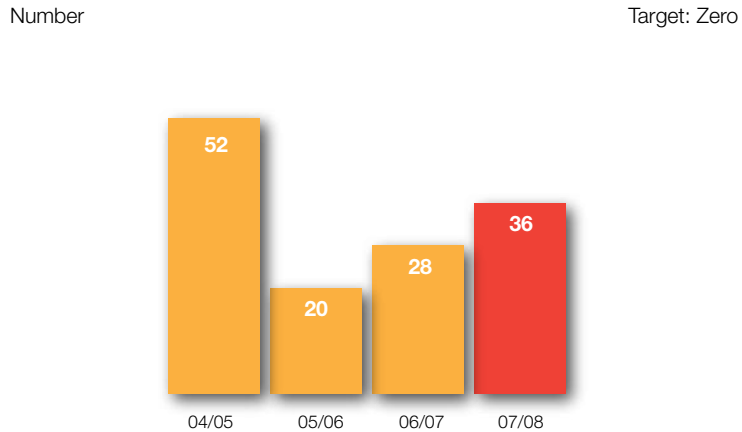
During 2007/08, we reviewed critical safety risks across the company to ensure they were being effectively managed. We developed a programme for improving safety performance at National Grid – building on our well established safety procedures, and reinforcing the need for individual and collective ownership of safety performance. It's called **'trusted to work responsibly'** and it was launched across National Grid in October 2007. And we published and implemented the **'golden rules'** shortly after that. These encompass all of our businesses – setting consistent standards for good safety behaviours and reinforcing a culture where safety becomes second nature.

We also conducted our first global process safety survey and are developing action items based on employee feedback from work areas across the company.

Public safety

Our employees are experts at delivering energy safely to the community, but everyone who lives and works around gas and electricity must be aware of the inherent dangers. Below is a chart identifying injuries to members of the public last year. During 2007/08, 36 members of the public were injured as a direct result of our operations, compared to 28 during 2006/07 and 20 in 2005/06. There was one public fatality resulting from a road traffic accident in the US.

Injuries to members of the public



Notes:
Includes fatalities, injuries requiring the person to attend hospital and, in the UK, any other injuries reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

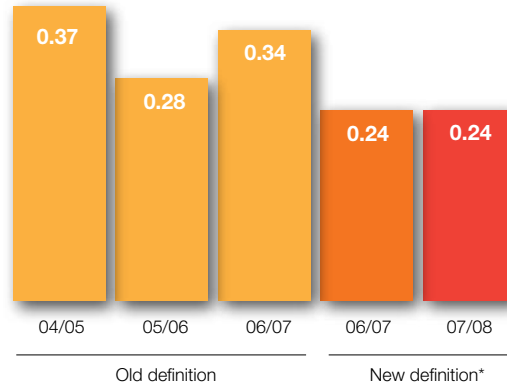
Excludes operations acquired with KeySpan. These will be included from 2008/09 onwards

Employee safety

In 2007/08, 88 of our employees received injuries that resulted in them taking time off work, compared with 97 in 2006/07 and 117 in 2005/06. Our employee lost time frequency rate was 0.24 compared with 0.24 and 0.28 in 2006/07 and 2005/06 respectively. Since KeySpan joined National Grid in August 2007, 42 lost time injuries have been sustained by our employees from the legacy company.

Employee lost time injury frequency rate

Per 100,000 hours worked Target: Zero



Notes:
2006/07 restated to align UK and US reporting of lost time injuries

Excludes operations acquired with KeySpan. These will be included from 2008/09 onwards

*We have clarified our definition of employee lost time injuries to align our approach to recording employee acute lost time injuries, chronic injuries and occupational ill health causes in the UK and the US (that's why the numbers of actual lost time injuries and corresponding frequency rate are restated down)

Contractor safety

As National Grid continues to grow and use more contractors as part of its business, contractor safety is equally important to us. The good news is there was a decrease in the number of contractor lost time injuries from 131 in 2006/07 to 105 in 2007/08. The majority of these injuries occurred during construction activities.

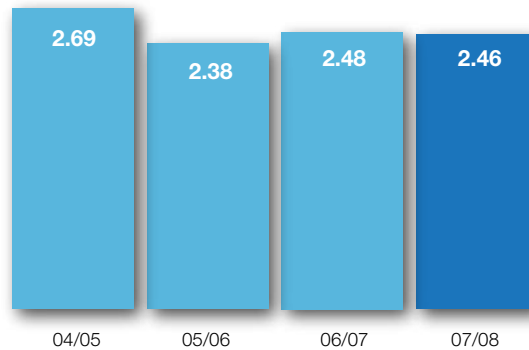
Keeping our employees healthy

National Grid is committed to protecting employee health during work activities. Across the business, employees are engaged in wellbeing and education programmes designed to encourage healthy, productive lifestyle choices. We also continue to participate in the UK Business and Community Action on Health, and are influential members of the Energy Networks Association's Occupational Health Committee.

We recognise the need to continue to improve these programmes: 2.46 per cent of available workers were lost due to sickness/absence in 2007/08, compared with 2.48 in 2006/07 and 2.38 in 2005/06.

Employee sickness absence rate

% Target: Zero work related sickness



Note:

Excludes operations acquired with KeySpan. These will be included from 2008/09 onwards

Our commitment to inclusion and diversity

By developing, recruiting and retaining talented, diverse people, we aim to achieve a more inclusive and diverse workforce; one that reflects the diverse communities we serve. We also want to be seen as an employer of choice across diverse communities.

Towards these ends, we are fortunate to have a vibrant and growing array of employee networks, focused on gender, ethnicity and faith, disability, sexual orientation and new starters. They help us understand the different communities represented within our workforce, and provide support and information to our employees and our leaders. We've also established a field force pilot programme in the UK that's developing an inclusion and diversity (I&D) best practice toolkit that can be replicated across our operational sites.

A global inclusion and diversity steering group advises the executive committee on overall I&D strategy and policy. And we've created action councils in the UK and US to help coordinate initiatives in each of our locations, identify new initiatives and ensure consistency across lines of business.

Measuring our progress and moving forward

There are a variety of performance measures we use to monitor our progress in promoting inclusion and diversity, including the percentage of female and black and minority ethnic employees. And we monitor I&D performance as part of our regular, overall performance review process. At 31 March 2008, 22.5 per cent of our employees were female and 12.3 per cent were from black and minority ethnic groups.*

This progress has already received external recognition. We were in *The Times* newspaper's Top 50 UK 'Where Women Want To Work' list for the second year running, and we were shortlisted for a gender and ethnicity award. Both National Grid and KeySpan, prior to its acquisition, also scored 100 per cent in the US Human Rights Campaign's 2007 Corporate Equality Index. We have also received positive media coverage of our work programme for people with disabilities.

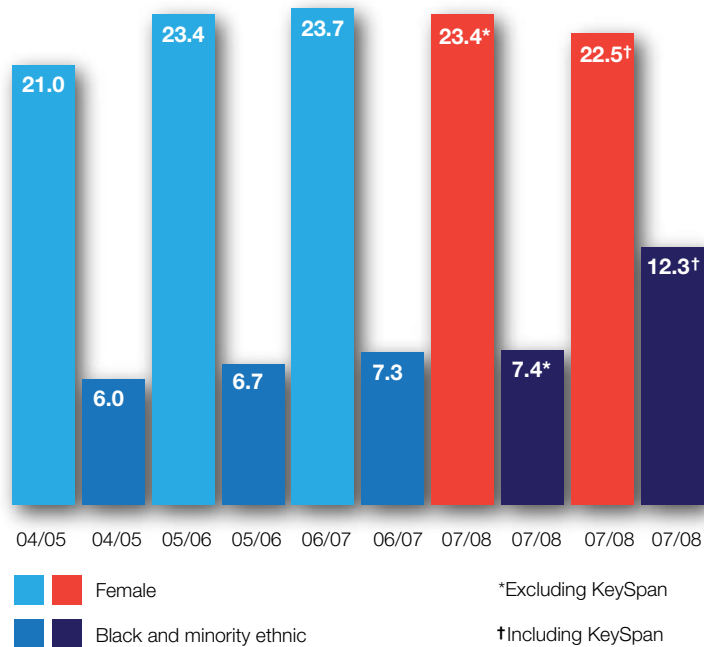
*This reflects the acquisition of KeySpan and so is not directly comparable with prior years. Excluding KeySpan, the proportions were 23.4 per cent and 7.4 per cent respectively, compared with 23.7 per cent and 7.3 per cent respectively at 31 March 2007 (23.4 per cent and 6.7 per cent respectively at 31 March 2006)

In our 2008 employee engagement survey, 61 per cent (2006: 83 per cent) of respondents considered they were treated fairly by the company, and treated with respect and dignity ... showing us we can still do better.

Moving forward, National Grid is committed to exploring the best ways to enhance our I&D performance, so we truly value and reflect our employees and the communities we serve. That's why we began a broad, global strategic review of I&D at National Grid in June 2008. The review, which we're conducting with assistance from diversity consulting firm Schneider-Ross, will benchmark where we stand now and help point the way to the most effective paths to build a truly inclusive and diverse environment in the future.

Inclusion and diversity

% of workforce



Supplier initiatives

National Grid is looking to develop effective, constructive relationships with our supplier partners, so that our contractual agreements align their interests with ours and share financial risks appropriately.

We recently established a single procurement function covering our supply chain activities. We've also established clear principles and objectives concerning the impact of our supply chain economically, socially, environmentally, and on human rights. We expect our suppliers to address these areas in working with us.

Another important programme for our company is to ensure we increasingly use minority, women owned business enterprises (MWBE) or businesses run by disabled veterans. In our UK tender documents we direct suppliers to the National Grid website for all of our policies and procedures, including our I&D website. From the third quarter 2008, there will be standard questions relating to inclusion and diversity in all tenders.

The new professional temporary labour contract (which began 1 April 2008) includes key performance indicators around the diversity of the talent pool. And we have been working with Pertemps in the UK for several years to increase the diversity of the temporary labour they supply us. We've also started discussion with several field force contractors through the Labour Fields Trial – at this stage there is no contractual obligation on them.

In the US, the new professional temporary labour contract will include a goal of five per cent of total contract value being awarded to MWBE.

Human rights

As an active member of the Business Leader Initiative on Human Rights (BLIHR), National Grid has been involved in several recent projects. In two major endeavors, we have:

- ◆ helped shape the development of what is now called the 'essential steps'. These are steps BLIHR believes companies must take to meet their responsibility to respect the wide range of human rights spelled out in the 1948 Universal Declaration of Human Rights and the two 1966 covenants
- ◆ drafted a human rights accountability guide for business. This is designed to show companies how to use leadership and sound management to incorporate external human rights standards into core values embraced by a company at all levels. Our draft should be printed later this year.

Outside of BLIHR, National Grid remains active in: supporting human rights causes; promoting public recognition of the importance of corporate human rights; and participating in conferences around the world to support human rights, learning as much as we can about best practice around the globe.



Community impact

Overview

As a socially responsible business, National Grid places great emphasis on the relationships we have with the communities we serve. Our policy provides a framework to ensure that investment in community projects and initiatives delivers benefits for our businesses and employees, in addition to the communities in which we operate.

National Grid's ambition is to be an award-winning leader in its field by 2010 and be at the forefront of best practice. This is a stretching target. And we believe through increased employee volunteering, we can ensure our community involvement is sustainable and enables us to build meaningful, long-term relationships. There is a clear business case for doing so:

- ◆ **To develop our business**, using our community investment programme as a platform upon which to maintain and expand our operations and customer base
- ◆ **To support our communities** so they thrive and remain economically strong
- ◆ **To support our employees** by encouraging employee volunteering and charitable giving. This helps our communities, develops employee skills and demonstrates we're an employer of choice to potential new employees
- ◆ **To enhance our reputation**, showing all key stakeholders and local communities we are a responsible business that lives by its values and brand.

Our community impact framework

National Grid's community impact investments are delivered through the following routes:

Programmes that support the priorities of our lines of business

Our aim is to focus these investments into one or more of the following areas:

- ◆ **Energy and environment** – particularly projects that focus

on reducing the causes and impact of climate change, promoting the local environment (especially around our operational sites) and alleviating fuel poverty

- ◆ **Education and skills** – shortage of skills essential to the daily delivery of our business operations is a key concern. Our programmes focus on developing engineering, science, technology and mathematics skills central to our business activities. Key to this is encouraging a wider and more diverse talent pool
- ◆ **Community development** – National Grid will focus its resources in the above two areas, since these two themes align with our day-to-day operations. But the programmes we support also need to help our lines of business achieve their goals and respond to clear customer needs in certain communities, particularly around infrastructure projects. In particular, these could include capital investments, safety, or inclusion and diversity related programmes.

Supporting our employees

National Grid can bring additional value to our communities – above and beyond monetary donations. National Grid's employees have valuable skills that are sought by our communities, and this also captures contributions in kind. As part of our employee proposition, National Grid encourages charitable giving by employees via our matched funding programmes. The charities supported are chosen by our employees, not by National Grid. During 2009, we will be aligning our UK and US matched giving programmes. We'll also be stepping up our volunteering offering for employees to enable them to show leadership and achieve an even greater positive impact on our communities.

National Grid Foundation

The National Grid Foundation is a separate legal independent corporation created to enhance the quality of life in areas where National Grid does business. Its ongoing challenge is to create opportunities for solutions to educational and environmental issues. National Grid Foundation's philosophy is based on the principle that giving people the tools to build hope is an essential ingredient in the development of individuals, families and communities.

Working in partnership

We seek to establish partnerships with other stakeholders and organisations, so we can leverage funding and value from other sources. We also look to partner with and support forward thinking organisations that have innovative programmes mirroring our own goals and objectives.

Applying best practice

Our community programmes are apolitical and non religious, and in line with our approach to inclusion and diversity. To ensure we can achieve and maintain a leadership position in our community impact programmes, we benchmark our approach and continually look for better ways to measure the impact of our programmes.

Community giving ... some real life examples

Here are just some of the many programmes National Grid supports in communities across the UK and US, in the key focus areas just outlined:

Energy and environment

- ◆ **Environmental education centres** – National Grid has a network of these centres across the UK, all sited on land adjacent to electricity substations. These educational centres of excellence have been developed in partnership with local authorities and charities, providing lifelong learning opportunities to their local communities. We have reached around 65,000 people via schools, outreach and community groups. Other benefits include reducing the impact of substations on rural environments, and improving the environmental status and biodiversity of the land on which National Grid operates.
- ◆ **V for volunteering** – National Grid's Environmental Education Centre network recently received a grant to match National Grid's support, which enabled young volunteers to gain experience in the environmental sector.





The centres will share almost £400,000 of funding to support volunteering opportunities in their area of the country. National Grid is a keen supporter of the UK government's initiative to encourage young people to undertake more vocational forms of study, and to engage them in volunteering opportunities.

- ◆ **Boston Children's Museum** – National Grid has provided the Boston Children's Museum in Massachusetts with a \$100,000 grant to fund and launch '**Green At Home**', an energy efficiency education programme designed to teach children and their families how to mitigate the effects of climate change and take positive steps towards living environmental-minded lives.
- ◆ **Earth Day initiatives** – In 2007/08 as in years past, National Grid participated in numerous Earth Day educational and clean up efforts across our US service territory. Highlights included co-sponsoring a New York Citywide environmental education event for schools and students; and Earth Day 'power of action' clean ups at a Lowell, Massachusetts park.
- ◆ **Energy fuel assistance programme** – Across our US service territory, National Grid strongly supports energy fuel assistance programmes to help households having extreme difficulty paying their heating or electricity bills. Our annual investment provides energy assistance to hundreds of thousands of residents who are struggling to pay their energy bills and do not qualify for federal or state energy funds. We also encourage employees and customers to contribute to the energy assistance funds in their state.

Education and skills

- ◆ **Cub Scouts home safety badge** – Sponsoring the home safety badge is a key part of our gas safety education in the UK. It's a badge cub scout packs win when they complete certain home safety activities. In 2007 – the first year of the badge – we sent out 35,000 activity packs, and we expect this momentum to continue as we extend the sponsorship for two more years. Safety in our company

and our communities is a National Grid priority, and this programme helps us reach a group identified as having the lowest safety awareness – today's youth.

- ◆ **Energy utility technology training programme** – Recently recognized as a national best practice by the Department of Labor, this workforce training programme involves a partnership between National Grid and several community colleges in Massachusetts. Students take classes in computer applications, technical math, industrial safety and more as part of a two-semester, college-credit programme designed by National Grid to help them earn an Energy Utility Technology Certificate. The programme includes a 10-week internship at National Grid's training facility in Millbury, Massachusetts, and National Grid has already offered employment to several recent graduates and will continue to interview graduates for jobs. In all, it's an outstanding example of National Grid partnering with the community to enhance the education of our young people.
- ◆ **The Partnership, Inc.** – In Boston, Massachusetts, National Grid's commitment to diversity is clearly demonstrated through our investment in The Partnership. The Partnership is the premier convener of thought-leaders committed to the advancement of multicultural professionals, and National Grid sponsors and supports numerous activities including fund-raising galas, training and leadership development. The ultimate goal is to help The Partnership programme graduates advance professionally and influence their decision to stay in the region.
- ◆ **Junior Achievement (JA)** - JA is the world's largest organisation dedicated to educating students about work readiness, entrepreneurship and financial literacy through experiential, hands-on programmes. Highlights of our involvement over the past year include volunteer recruitment sessions, a Bowl-a-thon that raised more than \$70,000, as well as co-hosting two leadership conferences.
- ◆ **Bottom Line Inc.** – This Boston based organisation is dedicated to helping disadvantaged students in need

of guidance and support as they navigate the complex college application process, and as they persist towards a college degree. National Grid's recent \$10,000 grant will provide seed money to expand the programme to Worcester, Massachusetts and will serve 75 of the area's high school students in its first year.

Community development

- ◆ **Special Olympics Great Britain** – National Grid is the first ever official partner of Special Olympics Great Britain (SOGB) and we have more than 400 employees who have volunteered their time to help at SOGB events across the UK, with 150 currently active. The Special Olympics programme provides year round sporting opportunities for people with learning disabilities, through locally organised training and events, and a series of national and international competitions. Under a new three-year partnership with SOGB, National Grid will support the development and participation in sport among one of Britain's most socially excluded groups.
- ◆ **United Way** – Each year, National Grid employees organise United Way campaigns at all US company locations to benefit local chapters throughout our service territory in New York and New England. Money is collected through employee payroll deductions, cash donations from both employees and retirees, and various fund-raising activities. Thanks to these employee and retiree donations, company matching dollars, and generous support from the National Grid Foundation, a total of \$3.7 million was donated to United Way in 2007/08.

The future

National Grid is a growing company with a steadfast commitment to operate in responsible, sustainable ways that benefit all our key stakeholders – employees, shareholders, customers and communities. We have the vision, strategy, programmes and people to make that happen. We are well positioned for the future, and we will continue to take the steps we need to protect the environment around us, and the people and businesses we serve, at every turn.

Performance indicators

Key performance indicators

Summary of key performance indicators for National Grid (2007/08)

	2004/05	2005/06	2006/07	2007/08
Safety				
Injuries to public	52	20	28	36
Employees lost time injury frequency	.37	.28	.24	.24
Lost time incidents in workforce/contractors	88			
Inclusion and diversity				
Proportion of female employees	21.0	23.4	23.7	22.5*
Proportion of black and minority ethnic employees	6.0	6.7	7.3	12.3
Environmental				
Climate change percentage against baseline	28	26	35	38
Significant direct environmental incidents	23	23	40	34
Total value of fines	3,000	0	4,885	6,000
Social Responsibility				
Number of employees	27,577			
Amount of money spent on community impact programmes	£9 million			

* Indicates operations with KeySpan for the period 8/24/07 to 3/31/08 or as at 3/31/08

GRI performance indicators

The Global Reporting Initiative (GRI) guidelines provide a useful frame of reference for assessing the quality and content of our corporate responsibility reporting. Through this summary report and our corporate website we align our reporting with several GRI performance indicators. To see how we align with the GRI indicators, please refer to our corporate website at:

<http://www.nationalgrid.com/corporate/Our+Responsibility/Reporting+our+Performance>

Cautionary Statement

This document comprises the Corporate Responsibility Report for the year ended 31 March 2008 for National Grid.

Unless otherwise stated, all financial data of National Grid contained in this document is as reported under IFRS. This presentation contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

These statements include information with respect to National Grid's financial condition, National Grid's results of operations and businesses, strategy, plans and objectives. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "may", "will", "continue", "project" and similar expressions, as well as statements in the future tense, identify forward-looking statements. These forward-looking statements are not guarantees of National Grid's future performance and are subject to assumptions, risks and uncertainties that could cause actual future results to differ materially from those expressed in or implied by such forward-looking statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond National Grid's ability to control or estimate precisely, such as delays in obtaining, or adverse conditions contained in, regulatory approvals and contractual consents, unseasonable weather affecting the demand for electricity and gas, competition and industry restructuring, changes in economic conditions, currency fluctuations, changes in interest and tax rates, changes in energy market prices, changes in historical weather patterns, changes in laws, regulations or regulatory policies, developments in legal or public policy doctrines, the impact of changes to accounting standards and technological developments. Other factors that could cause actual results to differ materially from

those described in this presentation include the ability to integrate the businesses relating to announced or recently completed acquisitions with National Grid's existing business to realise the expected synergies from such integration, the availability of new acquisition opportunities and the timing and success of future acquisition opportunities, the timing and success or other impact of the sales of National Grid's non-core businesses, the failure for any reason to achieve reductions in costs or to achieve operational efficiencies, the failure to retain key management, the behaviour of UK electricity market participants on system balancing, the timing of amendments in prices to shippers in the UK gas market, the performance of National Grid's pension schemes and the regulatory treatment of pension costs, and any adverse consequences arising from outages on or otherwise affecting energy networks, including gas pipelines owned or operated by National Grid. For a more detailed description of some of these assumptions, risks and uncertainties, together with any other risk factors, please see National Grid's filings with and submissions to the US Securities and Exchange Commission (the "SEC") (and in particular the "Risk Factors" and "Operating and Financial Review" sections in its most recent Annual Report on Form 20-F). Except as may be required by law or regulation, National Grid undertakes no obligation to update any of its forward-looking statements. The effects of these factors are difficult to predict. New factors emerge from time to time and National Grid cannot assess the potential impact of any such factor on its activities or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

nationalgrid

The power of action.SM

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