

nationalgrid

THE POWER OF ACTION

Shaping a Responsible Future

Corporate Responsibility
Review 2009/10




Shaping our energy landscape

Given the central role National Grid plays in the energy industry, we are committed to taking a leading position, alongside governments and regulators, in shaping and facilitating the future energy landscape.


The Future of Energy

Watch our video at:


www.nationalgrid.com/corporate/About+Us/futureofenergy



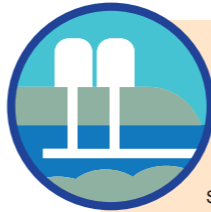
Renewable electricity
We are connecting new renewable electricity generation to our transmission networks and installing five solar generation facilities in Massachusetts, US.



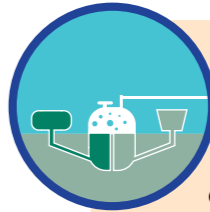
Smart grid
We are developing a solution that combines smart meters, integrated high-speed communication, distribution automation and home energy management. We are investing in a dedicated smart technology centre that will allow us to test technology before deployment.



Smart meters
Smart meters are the next generation of gas and electricity meters, allowing customers to reap the maximum benefits from smart grid, home microgeneration and electric vehicles. We have developed new smart electricity and gas meters.



Carbon capture and storage
Carbon capture and storage involves the removal of carbon dioxide produced during electricity generation to suitable storage sites. We are working on one of the world's first large-scale demonstration projects, seeking to reuse one of our high pressure natural gas transmission pipelines.



Renewable gas
We are developing several renewable gas projects designed to facilitate the injection of gas from sustainable sources into our existing gas distribution networks. This allows renewable gas to be delivered to customers to heat their homes and businesses.



Electricity

Electricity generation
We generate electricity on Long Island, US.

Electricity grid
Electricity transmission
We transmit electricity in the UK and in the northeastern US.

Electricity distribution
We distribute electricity, owning and operating distribution networks in the northeastern US.

Gas distribution
We distribute gas, owning and operating distribution networks in the UK and in the northeastern US.

Gas network
Gas transmission
We transmit gas in the UK, operating the gas national transmission system in Great Britain and storage facilities for LNG.

Gas production/importation
We own and operate the Grain LNG importation terminal in the UK.

Gas

National Grid is an international electricity and gas company based in the UK and northeastern US. We play a vital role in delivering gas and electricity to millions of people in a safe, reliable and efficient manner.

Revenue	Adjusted operating profit*	Adjusted earnings per share*
£13,988m	£3,121m	57.4p
Capital expenditure	Number of employees	Electricity and gas distribution customers UK and US
£3,252m	28,106	17.7m

*Excluding the impact of exceptional items, remeasurements and stranded cost adjustments (see page 38 of our Annual Report and Accounts 2009/10 for more information).

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Opening spread

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We take account of environmental, economic and societal issues when we make our business decisions. For us, being responsible and sustainable is central to our business and the way we go about it. So our Framework for Responsible Business is directly linked to our vision, strategy and company objectives.

Our vision: “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.”

Our strategy: “We will build on our core UK and US, electricity and gas, regulated business base and financial discipline to deliver sustainable growth and superior financial performance.”

Find out more about our approach to corporate responsibility



This review is a sister publication to the latest National Grid Annual Report. It highlights our progress and ambitions in four CR areas chosen because of increased interest from our stakeholders: climate change and energy; customer service; community investment and volunteering; and an inclusive, diverse and talented workforce.

You can also view our full online corporate responsibility report at: www.nationalgrid.com/crreport

Sustainable futures

National Grid lies at the heart of delivering energy in the UK and in the northeastern part of the US. We ensure that safe, reliable and affordable energy is available to maintain the wellbeing of our customers and communities. We do this through not only maintaining our infrastructure, but also through designing and building the next generation energy networks. As we deliver these essential networks, we are committed to being a responsible and sustainable business by owning and positively influencing the social, environmental and economic effects of our business activities.



We are very proud of our 2009/10 performance. This year, we achieved a 40% improvement in our employee safety, as our lost time injury frequency rate declined from 0.25 to 0.15. We also achieved our reliability targets across all our business, both UK and US, for the first time ever. We did this whilst continuing to achieve the trajectory needed to meet our climate change objective of 80% reduction of our greenhouse gas emissions by 2050.

National Grid committed to taking a leading position, alongside governments and regulators, in shaping and delivering the future energy landscape. The energy sector is at an historic turning point with climate change targets, the concern for energy security and the need for affordable energy driving changes in the sourcing and provision of energy to the end user. In the UK there is broad consensus that about 25% of electricity generation will close in the next decade and the decline in gas production is well known.

We plan to invest £22 billion over the next five years to help the UK meet all of these objectives. Our essential investment will reinforce our gas and electricity networks to allow new generation (including renewables) to be connected and enable gas to flow from new sources. Last year we had requests to connect more than 33 GW of generation to our UK transmission network and signed contracts to connect 22 GW of those requests. This investment will also allow us the opportunity to further our corporate responsibility by investing in new, environmentally responsible technology, such as pipelines needed to carry CO₂ to enable carbon capture and storage. In the US we continue to maintain our networks and build assets to meet customers' needs within the regulatory framework. All of this investment is made whilst meeting our corporate responsibility Framework values.

We are proud of our top-tier status in the Business in the Community Corporate Responsibility Index for the eighth consecutive year.

We continue to make progress as a responsible business; last year we listened to our stakeholders and updated our Framework for Responsible Business. It now provides a clearer line of sight from our vision to how we manage our business, strengthening its value as a blueprint for our corporate responsibility activities. Looking forward, we will continue to focus on improving our stakeholders' experience by enhancing our approach to community relations and customer service.

As we engage with our stakeholders, we are working hard to make sure they understand the overall value that National Grid delivers and will continue to deliver. This report will help to give our stakeholders a clearer picture of what we stand for, what we do and how it affects their lives. We will continue to work to become a trusted and innovative partner in meeting the changing needs of our customers and local communities.

I hope you find this summary review engaging and useful. You can find the full report on our website, with many more details about our progress and commitments. We very much welcome any comments you may have.

Steve Holliday Chief Executive

Line of sight

Line of sight provides a framework to show how what we do contributes to our Company's success. It shows how what we all do every day connects directly to National Grid's vision and strategy.



Find out more about line of site at:
www.nationalgrid.com/corporate/About+us

Improvement in our employee lost time injury frequency rate	Investment over last five years	Planned investment over next five years
40%	£14bn	£22bn
Energy (electricity and gas) transmitted UK	Electricity delivered US	Gas delivered US and UK
1,436 TWh	62 TWh	500 TWh

Managing corporate responsibility

The reputation of National Grid for ethical and lawful business behaviour is one of our greatest assets. We believe it is important to demonstrate that we have the governance policies and practices in place to ensure that our business is managed responsibly. We support this by annually reviewing our approach to governance and by conducting and acting on an annual stakeholder review.

www.nationalgrid.com/CR/Governance

Find out more about our stakeholders:

www.nationalgrid.com/CR/Stakeholders

National Grid's Board has overall responsibility for setting the tone and making sure responsible business practices are integral to the way we manage existing operations and develop new business. Our Board Risk & Responsibility Committee is responsible for reviewing the strategies, policies, targets and performance of the Company within our Framework for Responsible Business.

The work of the Risk & Responsibility Committee

The Committee is made up of four Non-executive Directors who invite a range of directors to its meetings: the Chief Executive; Company Secretary & General Counsel; director of UK safety, health and environment; US senior VP safety, health and environmental services; director of corporate audit; and the corporate affairs director (the latter two on an alternating basis). Executive Directors and others, including business representatives, are invited to attend as necessary.

During 2009/10, the Committee considered CR areas such as: serious safety incident and near miss reports; progress in embedding a process safety culture; reports on business conduct issues; current and projected environmental impact of the Company, including climate change; and updates on employee health and wellbeing initiatives.

Refreshing our Framework for Responsible Business

We originally published our Framework in 2002. Between 2002 and 2009, there were many changes in our business and the environment in which National Grid operates. So, we carried out a stakeholder review to check that the Framework was still a valid

blueprint for our corporate responsibility (CR) activities. The review helped people at National Grid to understand more about how we gain value from being responsible – such as how we are able to manage our exposure to non-financial risks like climate change, customer service and employee talent and skills, or how we can protect our reputation and brand by avoiding damaging incidents. Being responsible also helps us to maintain the confidence of our investors, employees, customers, communities and regulators. Last but not least, it enables us to maintain the value of our business by avoiding punitive costs and being more efficient in our use of resources.

Reviewing our approach to governance

National Grid carries out an annual internal verification and external assurance exercise to:

- ensure the content of our reporting on material CR issues and performance is balanced and accurate;
- test our awareness of and response to stakeholder issues;
- obtain an independent view of developments in, and management and implementation of, our non-financial strategy, to determine our ability to deliver corporate-level objectives;
- provide feedback to the Board on the CR governance and processes observed through the assurance activities.

Since 2001/02, our assurance statements have concentrated exclusively on external assurance – an annual broad examination of all CR-related issues for the Company. We revised this approach in 2008/09 and have now adopted a rolling three-year programme for external assurance. The revised approach reflects improvements in our corporate audit and internal verification processes associated with managing corporate responsibility and reporting. These changes will provide a more comprehensive assurance while reducing the overall cost.

Running an annual stakeholder review

Employees, suppliers, customers, regulators, shareholders, government and local communities – National Grid has a diverse range of stakeholders and we strive to be open and constructive in our dealings with all of them, whatever their focus.

Our annual stakeholder review process helps us identify gaps between stakeholder expectations and our CR activities and take appropriate action. We believe in improving our relationships with stakeholders by focusing on areas that are important to them. It might be the quality of service we provide to customers, the depth of information we provide to regulators or the way we address the concerns of our employees. We conduct an annual stakeholder review process with the support of Ceres, a network which helps companies and investors to address sustainability challenges such as global climate change. The process examines the previous year's CR reporting and engagement activities and provides an assessment of whether National Grid is covering material CR issues appropriately.

In 2009/10, National Grid carried out this review process ahead of the annual reporting cycle in order to feed back the recommendations into the Company's annual report and accounts. The stakeholder panel included representatives from Non-Governmental Organisations (NGOs), investors, industry peers, rating agencies, charities, local communities and suppliers. They indicated that they would like to see an increase in our reporting on climate change, talent, customers and energy efficiency. As a result, we have highlighted these four areas in the following sections of this report: climate change and energy; customer service; community investment and volunteering; and an inclusive, diverse and talented workforce. We have also increased coverage on these four areas on our website. We invite you to look at our online CR report for more detailed coverage of all our impacts.

The following section on our Framework for Responsible Business provides an overview of our values that address all our material impacts.

Chairman's Awards

We encourage the excellence of our employees through the Chairman's awards in the areas of inclusion and diversity, safety, health, environment, community, and customer delivery. In 2009/10, more than 240 nominations were submitted, which allowed us to recognise the outstanding achievements of those employees who go well above and beyond their work requirements. Here is a focus on the winning initiative in the safety category – the cable avoidance tool mat (CAT MAT).

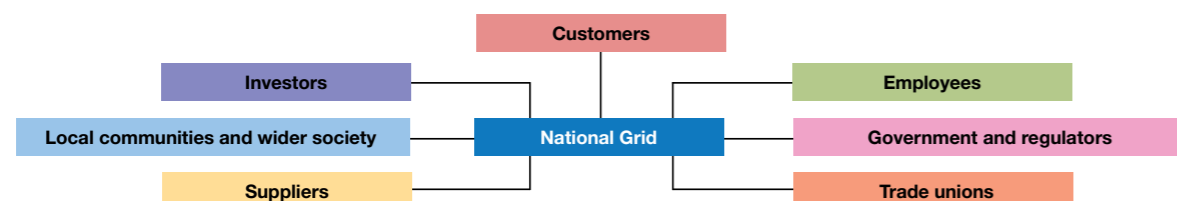
The CAT device is used in the field to protect cables and other underground services. The winning team designed and tested the CAT MAT – a rubber mat with imprinted information on the survey technique and usage tips. The MAT makes the survey more effective in identifying buried cables and underground services and ultimately prevents incidents resulting from cable strikes.

The CAT MAT is a simple, inexpensive supporting tool and has effected a step change in the behaviour of our field operatives. It is easily transferable and is now the coaching tool of choice across our UK Gas Distribution business. The recognition the team received as a direct result of the Chairman's Awards has led to several enquiries, both internally and externally, on how to transfer this best practice across other operations.



Safety category winners with the CEO and Chairman at the 2009 Chairman's Awards

Our Stakeholders



Framework for Responsible Business

National Grid's Framework for Responsible Business is a blueprint for our corporate responsibility activities. It is directly linked to our vision, strategy and Company objectives. Here are our seven Framework values and the material CR impacts they address.



Doing the right thing

www.nationalgrid.com/CR/Conduct

We aim to create a working environment where our employees and business partners will do the right thing and speak out about any concerns they have about actions or decisions they think are wrong. We take our responsibilities to our employees, customers and other stakeholders seriously and strive to work to the highest standards.

2009/10 highlights

Our standards of ethical business conduct provide a common set of practical guidelines to help ensure that our behaviours are lawful, comply with our policies and licences and follow the values set out in our Framework and our core values. The Board has also adopted a code of ethics for senior financial professionals. There were no amendments to, or waivers of, this code of ethics in 2009/10. We have also published a responsible lobbying position statement. In our 2010 employee survey, 66% (2009: 66%) of respondents considered something would be done if they reported an inappropriate business practice or an ethical issue.

CR impact addressed by this value is: business conduct

Respecting human rights

www.nationalgrid.com/CR/HumanRights

We will respect the rights of individuals and communities and give them and other stakeholders the chance to get involved in decisions that affect them. We support the United Nations Global Compact (UNGC), a United Nations initiative to encourage businesses around the world to have responsible policies and report on how they work. As part of the UNGC, we will support and respect human rights. We will expect our business partners, contractors and suppliers to show a similar commitment.

CR impact addressed by this value is: human rights

Embedding safety and wellbeing into the way we work

www.nationalgrid.com/CR/Safety

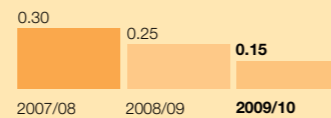
We recognise that our operations potentially give rise to risk. We will work hard to eliminate or minimise those risks. By doing so, we believe we can prevent all injuries and harm to our employees, our business partners and members of the public.

2009/10 highlights

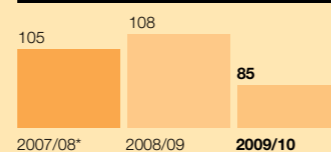
Safety is, and will always be, paramount to us. We have become increasingly focused on process safety and will maintain this focus in coming years. We have worked to ensure that controls are in place to prevent major incidents and have made significant improvements in both understanding and measuring the associated risks.

In 2009/10 we achieved a 40% improvement in our employee lost time injury frequency rate, down from 0.25 to 0.15, demonstrating what our individual and collective efforts can achieve. The wellbeing of our employees is important for their health and happiness and plays a vital role in our success. We have been encouraging our employees to make a positive impact on their wellbeing and the wellbeing of those around them and have seen good use of health kiosks and cardiovascular screening.

Employee lost time injury frequency rate (lost time injuries per 100,000 hours worked)



Contractor lost time injuries



*2007/08 excludes KeySpan

CR impacts addressed by this value are: safety and wellbeing

National Grid is keen to address CR issues that are material to our business. Our online CR report covers the breadth of our corporate responsibility issues. We have measures and targets to ensure that we are continually improving our performance in these important areas.

Safeguarding the environment for future generations

See page 08

Protecting the environment is extremely important to us and is a significant part of our reputation as a responsible business. Investing in and running safe, efficient and reliable electricity and gas infrastructure means we use energy and raw materials and produce waste. The effect we have on the environment and the communities we serve depends on how we work, together with our supply chain. Our goal is to reduce any impact we may have and look for ways to improve the environment.

CR impacts addressed by this value are: climate change and greenhouse gas emissions; energy efficiency; environmental management; contaminated land; electric and magnetic fields; and biodiversity

Working with communities

See page 10

Developing and investing in electricity and gas networks can affect the communities the networks pass through. How we manage our relationships and work together with these communities and other stakeholders is very important to us.

CR impact addressed by this value is: community involvement

Find out more about how our Framework is supported by our standards and policies:

www.nationalgrid.com/CR/Framework

In this 2009/10 CR Review we have chosen to highlight our progress and ambitions for the four Framework values below in the following pages. We selected these areas because of increased interest from our stakeholders.

Valuing an inclusive, diverse and talented workforce

See page 12

We will create an inclusive workplace and treat all our employees fairly and with respect. We will also make sure our employees have the chance to develop to their full potential, regardless of race, gender, nationality, age, disability, sexual orientation, gender identity, religion and background.

CR impacts addressed by this value are: talent and skills; and inclusion and diversity

Building strong partnerships

See page 14

We will treat our customers fairly and deliver a safe, reliable and efficient service. We will communicate clearly, listen to feedback and make it as easy as possible for people to deal with us. We will also help our customers with their energy needs and make sure they know how to use electricity and gas safely, responsibly and efficiently.

CR impacts addressed by this value are: customer service; energy efficiency; and energy security

Find out more about our CR impacts:

www.nationalgrid.com/CR/Impacts

Climate change and energy

Becoming more efficient in the use of energy resources is vital if we are to meet the challenges facing the energy industry today and into the future.

www.nationalgrid.com/CR/Climate

National Grid has a central role to play in combating climate change. First, by demonstrating leadership on emissions management and energy efficiency; then supporting the development of efficient new technologies and technology applications. At the same time, we need to engage and educate our employees, consumers and other stakeholders about their energy use.

Our goal is to ensure that energy efficiency and affordability go hand in hand with responsibility, sustainability and continued security of supply.

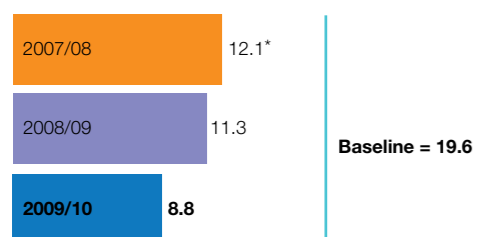
During 2009/10, we continued efforts to embed our climate change strategy within our business operations. Some employees have climate change-related objectives included in their day-to-day activities and annual performance management and our Executive Directors' compensation is linked to performance against our greenhouse gas reduction plans.

Managing greenhouse gas emissions

During 2009/10, each National Grid line of business developed five-year plans for greenhouse gas reduction. Adopted in April 2010, the plans establish a trajectory to 2015 as the halfway point to our 2020 target.

Our industry-leading targets are to reduce our scope 1 and 2 greenhouse gas emissions by 45% by 2020 and 80% by 2050 against our 1990 baseline. Our scope 1 and 2 emissions in 2009/10 were around 8.8 million tonnes (mt) carbon dioxide

Scope 1 and 2 greenhouse gas emissions (million tonnes CO₂ equivalent)



*Includes KeySpan operations as if owned for the entire year

equivalent (CO₂e), compared with 11.3 mt in 2008/09. This equates to a 55% reduction against our baseline, compared with 42% in 2008/09, exceeding our 45% by 2020 target.

We have decided to retain this target in the short term because of the uncertainty concerning the extent to which our emissions will rise as the UK and US come out of recession.

Scope 3 greenhouse gas emissions

National Grid is participating in the World Resources Institute/World Business Council for Sustainable Development worldwide pilot study on scope 3 emissions reporting. We will evaluate the development of scope 3 targets once this project is completed later in 2010.

We estimate our 2009/10 scope 3 emissions to be 43 mt CO₂e across three categories: 5.1 mt from electricity transmission and distribution losses, 2.5 mt from our supply chain and 33 mt associated with the energy used by our customers.

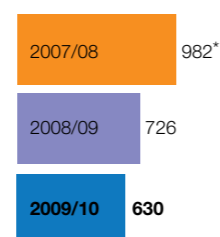
We recognise that customer energy efficiency is linked to the scale of our scope 3 emissions and have launched a campaign in the US, inviting consumers to commit to 3% year-on-year savings in their energy consumption over 10 years. Please see the case study on page 15 for more on our 3% Less campaign.

Adapting to climate change

It is important that we understand the impact of past global emissions on the future climate. We have been working with the UK Met Office to understand how these changes might affect our UK and US infrastructure and future energy demand. Later in 2010, we will be one of the first companies to provide an adaptation report required under the UK Climate Change Act.

Carbon intensity

(tonnes CO₂ equivalent per £million of revenue)



Target for reduction in scope 1 and 2 emissions against our 1990 baseline by 2020

45%

Our campaign for US customers to reduce their energy consumption by 3% every year for 10 years

3% Less

Smart grid

At National Grid we have made significant progress in our plans for the evaluation of smart grid technology. We are investing in a dedicated smart technology centre in the US, so that we can conduct extensive testing to understand the capabilities of potential new solutions.

In the US we are developing an end-to-end smart grid solution, automating elements of our distribution network, incorporating integrated communications and providing our customers with smart meters and home energy management services. A smart grid supports increased use of distributed energy resources, improves the efficiency of energy transmission and distribution networks and helps customers to be more efficient in their use of energy.

Renewables

One way National Grid helps its customers and stakeholders to reduce their greenhouse gas emissions is through supporting the introduction of new renewables into the energy mix.

In the UK, more than 130 renewable projects totalling approximately 29 GW are seeking connection to the electricity transmission network. When added to the existing 4.7GW of renewable generation, this 29GW has the potential to take the percentage of renewable electricity transmitted and distributed in the UK to around 30%. In the US, we received funding to install solar generation on five sites in Massachusetts and are applying to procure 230 MW of wind power from the country's first offshore wind farm, Cape Wind. We are also working on the development of three renewable gas projects.

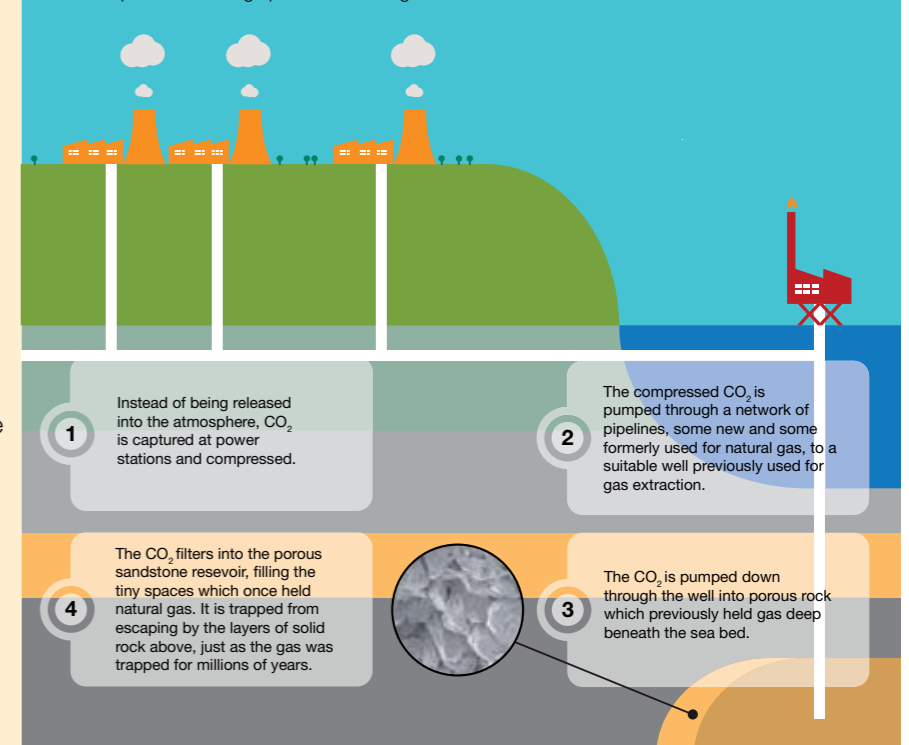
Carbon capture and storage

National Grid is investigating the possibility of transporting carbon dioxide from power stations and heavy industry to storage offshore, including the potential re-use of high pressure natural gas transmission pipelines.

We have identified Scotland and the Humber region in England as offering some of the best opportunities for carbon capture and storage (CCS) in Europe. This could result in an annual reduction of up to 78 million tonnes of carbon dioxide going into the atmosphere.

Alongside this substantial reduction in greenhouse gas emissions, CCS would also bring benefits to the security of electricity supply by allowing coal to remain part of a future diverse low carbon energy mix. Coal generation could play a valuable role in meeting the UK's future energy requirements, alongside a large proportion of intermittent wind generation and large but less flexible nuclear generators.

Carbon capture and storage process flow diagram



Community investment and volunteering

National Grid wants to be welcomed and seen as a valued partner in the communities we serve. Through the important roles we perform, we are highly visible in the communities in which we operate during construction projects for new infrastructure, while maintaining our assets and when dealing with emergencies such as storms.

www.nationalgrid.com/CR/Community

Investment in supporting community initiatives and relationships in 2009/10

£11.4m

Increase in employee volunteering for Special Olympics Great Britain

80%

We are committed to developing and maintaining good relations within local communities – based on openness, honesty and compliance with laws and regulations, together with the need to recognise and address the impact of our operations.

We are prioritising our community investment in areas where we have a business interest as well as knowledge and expertise to share. Our aim for our community programme is to build meaningful long-term relationships, often in partnership with other specialist organisations.

Introducing our Community Impact Framework

Over the last year, National Grid has improved its new Community Impact Framework. We now focus on three areas:

Energy and environment – particularly projects that focus on reducing the causes and impact of climate change; the promotion of the local environment around our operational sites; the delivery of energy efficiency; and alleviating fuel poverty.

Education and skills – to encourage the next generation of employees. The shortage of skills essential to the daily delivery of our business operations is a challenge for National Grid. Our community work focuses on engineering, research and development skills central to our business activities.

Community investment – programmes that directly support our employees and their initiatives in the community and also encompass safety and inclusion and diversity initiatives.

During 2009/10 National Grid invested approximately £11 million in supporting community initiatives and relationships, up £1 million on the previous year. We used the London Benchmarking Group model to assess this investment. Direct National Grid donations to charitable organisations amounted to £1.1million.

The National Grid Foundation, a separate legal entity, supports educational and environmental projects in the US. In addition, National Grid provided financial support for university research and educational projects, our Affordable Warmth programme and our work with young offenders. More than 647,000 households have already benefited from energy efficiency measures through our Affordable Warmth programme in the UK.

National Grid is sensitive to the needs of households who are struggling to pay their energy bills. In Massachusetts and Rhode Island, we sponsored The Good Neighbor Energy Fund administered by the Salvation Army. In New Hampshire, National Grid sponsored the fuel assistance programme, Neighbor Helping Neighbor. In New York, we worked with the American Red Cross to help those in need through the Care and Share Energy Fund.

Encouraging community volunteering

Through our employee volunteer activities we provide a range of focused opportunities that help employees to develop and share skills while making a visible and sustainable difference to local communities. Our community activities range from corporate-driven partnerships like Special Olympics Great Britain (SOGB) to employee-initiated events like cancer walks. SOGB provides sporting opportunities for people with a learning disability. A small group of our employees has been mentoring athletes. Our partnership with the organisation has been very successful, with an 82% increase in volunteer hours in Company time compared with 2008/09.

In the US, employee volunteering was at a high during April 2010 when more than 1,200 employees worked on over 23 projects across our service region to mark the 40th anniversary of Earth Day. The projects ranged from cleaning debris and clearing trails to planting flowers and rebuilding gardens.



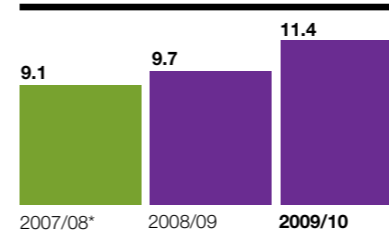
National Grid Executive Director, Tom King, joins a City Year mathematics tutoring session at the Renaissance Charter School in Boston, MA

Supporting citizenship and community service

Earlier this year National Grid became the northeast sponsor of City Year's Whole School, Whole Child programme, which focuses on positive interventions for underserved elementary students most at risk of 'dropping out'. City Year volunteers (corps members) forge meaningful relationships with students while providing academic support; attendance monitoring and incentives; positive behavioural support; after school programmes; and in-school activities such as assemblies and celebrations that improve the overall school environment.

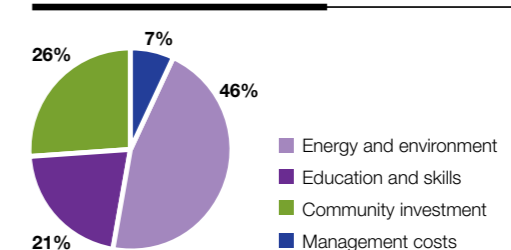
This \$750,000, three-year grant to City Year is the largest US non-profit partnership in the Company's history and provides: sponsorship of more than 200 corps members in Massachusetts, Rhode Island, New Hampshire and New York; volunteer opportunities for National Grid employees where they can work with corps members to improve education; and sponsorships for several special events focused on community service. Our relationship with City Year is an example of the way we support the local communities that we operate in, removing barriers to achievement and shaping our future workforce. In September 2010, City Year announced a newly trained UK London team. National Grid is a proud sponsor of their team in Hackney, making this a global effort.

Total investment in communities (£million)



*2007/08 excludes KeySpan

Breakdown of investment in communities (%)



Talent, inclusion and diversity

National Grid is taking firm action to ensure we have an extensive pool of employees with the right skills and capabilities to achieve our ambitions in a more inclusive and diverse culture.

www.nationalgrid.com/CR/Skills

Employee Engagement Index

68%

Employee survey response rate

97%

Attracting and retaining talent and developing quality in skills and capabilities are fundamental to our business. We need to create the next generation of jobs and get people interested in science, technology, engineering and maths (STEM) subjects, as well as foster the talent of our existing workforce.

National Grid commissioned a report to understand the attitudes of young people and identify how we can encourage the next generation of engineers. The findings of Engineering our Future included that young people often struggle to visualise what professional engineers do and teachers are often unable to explain engineering (see case study opposite).

Developing leaders

A key success factor in delivering National Grid business objectives is having highly competent leaders at every level within the organisation driving high performance and engaging employees. In 2009/10, approximately 740 front line leaders began a 15 month curriculum, 'Foundations of Leadership'. Around 380 managers attended a one-day workshop enabling them to better support their front line leaders. 65 senior managers also attended a highly intensive and interactive one-week development programme, expanding their understanding of the role they play in the broader National Grid business.

Maximising potential

Underpinning our leadership strategy is a suite of solutions for employees to assist them in maximising their performance. Our learning resources range from technical and soft skills classroom courses to e-learning and virtual video courses. In 2009/10, our workforce participated in over one million hours of training.

At National Grid, we understand the value of having an engaged workforce and aim to build trust and transparency with our employees. In February 2010, we conducted our third annual employee survey. The response rate was 97%.

Our employee engagement index, which measures how employees think, act and feel in relation to National Grid, declined slightly in 2010 to 68%, compared with 70% in 2009. We will continue our focus on areas like communication, vision and direction where we had less favourable scores in our survey.

Progressing inclusion and diversity

National Grid's policy on inclusion and diversity supports the attraction and retention of the best people, improves effectiveness, delivers superior performance and enhances the success of the Company. During 2009, we initiated a number of training courses, including a full day inclusion course completed by the Executive Committee and the senior leadership team.

In December 2009, we launched an inclusive leadership programme for middle managers and by April 2010 more than 750 managers had completed it. A learning module has also been built into our new employee orientation programme.

Our approach to inclusion and diversity has been recognised through a number of external awards including, for the second year running, the prestigious Stonewall Top 100 Employers in the UK and, for the third year in a row, the Human Rights Campaign's Equality Index in the US.

We were also the recipient of Profiles in Diversity Journal's Innovation Award for its Women Empowered programme and Opportunity Now's Inclusive Culture award, recognising an initiative which is driving change at an organisational level.

Finding the next generation

Work experience students build a tower as part of their engineering project at a National Grid training centre in Eakring, UK



In response to the findings of our Engineering our Future study, National Grid has several programmes to help schools and colleges with science, technology, engineering and mathematics (STEM) education, and to help improve young people's awareness of career options in engineering and the energy industry. In this way we are helping to build a talent pool from which we can recruit in the future.

In the UK, together with the Royal Academy of Engineering, we have developed engineering work experience placements. These one-week residential placements are run in partnership with

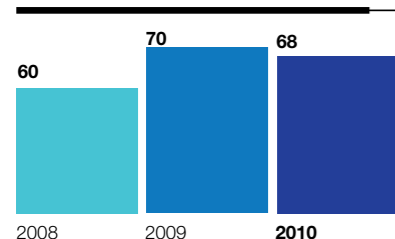
the Smallpeice Trust. The placements help year 10 students (14-15 year olds) both learn some specifics about energy, engineering and National Grid, and experience professional work-based training.

We are also organising open days for students on our operational sites, during which they will learn some specifics about energy, engineering and National Grid. Additionally, we have our School Power and Imagineering programmes, where National Grid volunteers provide lesson plans, presentations and activities for students, to improve their knowledge and understanding of STEM subjects.

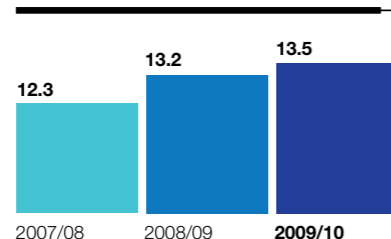
In the US, we designed an Engineering our Future model of 'Inspire, Attract and Retain', and launched our Pipeline Programme, which takes select students on a six-year journey, from high school, through college and finally employing them at National Grid.

We also launched our Energy Explorer programme providing educational materials, teaching tools and an interactive website for students, teachers and parents to learn about various topics. These include gas and electric safety, energy efficiency, energy and the environment and renewable energy. We are developing an ethics component, which will educate students on 'doing the right thing'.

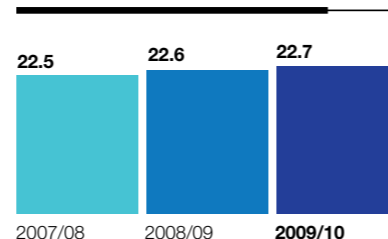
Employee Engagement Index (%)



Percentage of our workforce that is black or minority ethnic (%)



Percentage of our workforce that is female (%)



Customer service

Key to providing excellent service to our customers is our ability to ensure the reliability of our networks, in order to maintain essential gas and electricity supplies to consumers.

www.nationalgrid.com/CR/Customers

UK transmission electrical system reliability

99.9999%

Number of US households that benefited from our energy efficiency programme in 2009

586,669

National Grid has a very wide range of customers, including: electricity generators and gas shippers; new developers from nuclear to wind, wave and tidal power; gas storage operators; local distribution companies; and industrial, commercial and domestic consumers.

We take our responsibility seriously and continually invest in our infrastructure to allow for changes in energy supply and demand patterns. Where weather events or other incidents mean that consumers' energy supplies are interrupted, we do our best to restore connections as quickly as possible. By delivering high standards of service and working in partnership with our customers, we can build strong relationships with them and, at the same time, foster goodwill with other stakeholders, including regulators and governments.

Listening and improving

In 2009, we sought feedback from our UK Transmission customers to understand what it was like to do business with us. They told us that we perform well and are knowledgeable about the industry. However, in some cases, we let them down by our actions – including not communicating effectively and not being accessible. Using this information, we developed a programme for 2010 to drive change in our customer focus. Supported by senior management, the programme sets out clear commitments to our customers and provides accountability and ownership for our employees.

A customer-focused Transmission business will ensure we can be flexible in meeting the challenges of our changing customer base. It will allow us to respond proactively to customer requirements by meeting requests wherever we can. In cases where the regulatory frameworks prevent us from doing so, we will explain clearly the

reasons and will work with the industry to adapt frameworks for the future. In the US, our need to increase our ability to meet our customer objectives saw us implement a new customer organisational model. The new organisation has been designed to be market-driven and focused on delivering integrated energy solutions to our customers across all lines of business. We set up two new departments. Customer Energy Solutions provides integrated energy solutions to allow our customers to manage their energy choices better. Customer Service Operations covers end-to-end customer processes to improve our customers' experience of dealing with us.

Helping customers manage

Customer satisfaction comes from helping customers manage their energy expenses. National Grid also helps customers be more energy efficient. For over 20 years we have offered a comprehensive portfolio of energy efficiency programmes to help customers reduce energy consumption, saving them money while reducing greenhouse gas emissions. In 2009, 586,669 households benefited from our energy efficiency programmes in the US. The success of our programmes was recognised by the US Environmental Protection Agency, which awarded National Grid a 2009 ENERGY STAR Sustained Excellence Award.

National Grid recognises the difficulties the current state of the economy has caused many of our customers. We understand we have an obligation to balance the payment needs of our customers with our financial responsibility to our shareholders, our regulatory commissions and our other customers. To help balance these needs, we have been implementing a comprehensive bad debt mitigation strategy, aiming to prevent people getting into debt in the first place. With a focus on early intervention and assessing customer risk, this allows National Grid to better match appropriate collection strategies to individual customers.

Creating goodwill

As part of its customer campaign, Gas Distribution in the UK launched a film that generates a sense of empathy for National Grid's customers – by putting employees in customers' shoes. The film shows employees how important their role is to customers' experiences. It helps employees understand what a difference they make and how their personal behaviour can have a direct impact on colleagues and customers alike.

With a US customer communications initiative, 3% Less, National Grid urged customers to pledge to use 3% less energy every year for the next 10 years. Being the energy management partner for our customers helps foster a stronger relationship with them and builds goodwill. The initiative was recognised by the Edison Electric Institute, the association of US shareholder-owned electricity companies, which awarded us a 2009 Advocacy Excellence Award in January 2010.



Customer satisfaction

	Performance	Measure
09/10		
Gas Distribution UK	Not yet available	Quartile ranking
Gas Distribution US: Residential	3rd quartile	Quartile ranking
Gas Distribution US: Commercial	2nd quartile	Quartile ranking

Customer satisfaction

	Performance	Measure
09/10		
Electricity Distribution & Generation: Residential	4th quartile	Quartile ranking
Electricity Distribution & Generation: Commercial	3rd quartile	Quartile ranking

Network reliability

	Performance	Measure	Target
09/10			
Electricity transmission UK	99.9999	%	99.9999
Electricity transmission US	147	MWh losses	<253
Electricity distribution US	114	Mins of outage	<122

Network reliability

	Performance	Measure	Target
09/10			
Gas transmission UK	100	%	100
Gas Distribution UK	99.999	%	99.999

Our performance

This overview of our key performance data and targets is supported by additional information in our online CR Report for 2009/10.

www.nationalgrid.com/CR/Performance

Doing the right thing	2009/10	2008/09	2007/08*	Target	GRI
BUSINESS ETHICS					
Substantiated breaches of codes of conduct (per 1,000 employees)	13.6	11.3	11.6	-	
Employee survey respondents who considered something would be done if they reported an inappropriate business practice or an ethical issue (%)	66	66	-	-	
Embedding safety and wellbeing into the way we work					
FATALITIES					
Employees (number)	0	0	0	Zero	LA7
Contractors (number)	0	3	0	Zero	EU25
Public (number)	0	1	1	Zero	
INJURIES					
Employee lost time injuries (number)	86	140	88 (157)	Zero	LA7
Employee lost time injury frequency rate (per 100,000 hours worked)	0.15	0.25	0.24 (0.30)	Zero	EU25
Contractor lost time injuries (number)	85	108	105	Zero	
Injuries to members of the public (excluding fatalities) (number)	44	51	35	Zero	
HEALTH					
Employee sickness rate (%)	2.87	3.06	2.46	Zero	LA7
Safeguarding the environment for future generations					
GREENHOUSE GAS EMISSIONS					
Scope 1 and 2 emissions (million tonnes CO ₂ equivalent)	8.8	11.3	4.1 (12.1)	-	EN16
Emission intensity (tonnes per £million of revenue)	630	726	457 (982)	-	EN17
Percentage reduction against baseline (%)	55	42	38 (38)	45% by 2020	
Carbon dioxide (CO ₂) (percentage of scope 1 and 2 emissions)	52	62	-	-	
Methane (CH ₄) (percentage of scope 1 and 2 emissions)	43	34	-	-	
Sulphur hexafluoride (SF ₆) (percentage of scope 1 and 2 emissions)	4	3	-	-	
Other Kyoto gases (N ₂ O, HFC, PFC) (percentage of scope 1 and 2 emissions)	1	1	-	-	
OTHER EMISSIONS TO AIR					
SF ₆ leaked to atmosphere (tonnes)	13.98	14.72	18.85	-	EN20
SF ₆ leakage as percentage of inventory (%)	2.6	2.2	3.5	-	
Sulphur oxides (SO _x) (tonnes)	4,532	6,807	2	-	
Nitrogen oxides (NO _x) (tonnes)	3,408	6,503	2,031	-	
WATER					
Total water used (million cubic metres)	5.9	5.2	3.5	-	EN8
Water used for cooling generation facilities (million cubic metres)	1,417	-	-	-	
Intensity (cubic metres per £million of revenue)	419	336	-	-	
Extracted water (million cubic metres)	3.5	2.4	1.8	-	
WASTE					
Total waste (million tonnes)	1.3	1.2	1.1	-	EN22
Intensity (tonnes per £million of revenue)	91	80	-	-	
Recycled/reused (%)	77	74	69	-	
To landfill (%)	23	26	31	-	
ENERGY					
Gas used (million MWh)	3.8	4.9	5.4	-	EN3
Electricity used (million MWh)	0.6	0.5	0.3	-	
Fuel used for transport (million litres)	49.9	52.2	35.3	-	
SIGNIFICANT ENVIRONMENTAL INCIDENTS					
Own fault (number)	10	8	9	Zero	EN23
Contractor (number)	0	4	25	Zero	EN28
Third party (number)	2	1	1	Zero	
Environmental citations in the US (number)	4	6	6	Zero	
Value of fines from environmental citations and prosecutions (\$)	0	86,500^	6,000	Zero	
OTHER					
Employees working to certified ISO 14001 EMS (%)	87	80	(66)	-	
Historically contaminated sites, remediation completed (number)	20	22	33	-	
Historically contaminated sites managed (number)	774	678	529	-	
Employee survey respondents who considered National Grid acts responsibly in all its business dealings, including environmental management (%)	59	62	-	-	

Valuing an inclusive, diverse and talented workforce	2009/10	2008/09	2007/08	Target	GRI
INCLUSION AND DIVERSITY					
Total employees (number)	28,106	27,886	28,530	-	LA1
Female employees (%)	22.7	22.6	22.5	-	LA13
Male employees (%)	77.3	77.4	77.5	-	
Females in management team (%)	23.0	17.0	17.0	-	
Males in management team (%)	77.0	83.0	83.0	-	
Black and minority ethnic employees (%)	13.5	13.2	12.3	-	
White employees (%)	86.5	86.8	87.7	-	
Black and minority ethnic employees in management team (%)	8.0	3.2	3.2	-	
White employees in management team (%)	92.0	96.8	96.8	-	
Employee survey respondents who considered they were treated fairly by National Grid (%)	66	70	-	-	
Employee survey respondents who considered that their colleagues treated them with respect and dignity (%)	78	78	-	-	
OTHER					
Employee Engagement Index (%)	68	70	60	-	

Working with communities	2009/10	2008/09	2007/08*	Target	GRI
COMMUNITY INVESTMENT					
Total community investment (£million)	11.4	9.7	9.1	-	

Building strong partnerships	2009/10	2008/09	2007/08	Target	GRI
UK CUSTOMER SERVICE					
Gas Distribution – customer service (quartile ranking)	Not yet available	4th quartile	-	-	
NETWORK RELIABILITY					
Electricity transmission – network reliability: Electricity delivered by the electricity transmission system as a proportion of electricity demanded (%)	99.9999	99.9999	99.9999	99.9999 in 2009/10	
Gas transmission – network reliability: Gas delivered by gas transmission system as a proportion of gas demanded (%)	100	100	100	100 in 2009/10	
Gas Distribution – network reliability: Proportion of total customer days without unplanned gas interruptions (%)	99.999	99.9999	99.999	99.999 in 2009/10	
US CUSTOMER SERVICE					
Gas Distribution – residential customer service (quartile ranking)	3rd quartile	4th quartile	-	-	
Gas Distribution – commercial customer service (quartile ranking)	2nd quartile	3rd quartile	-	-	
Electricity Distribution & Generation – residential customer service (quartile ranking)	4th quartile	4th quartile	-	-	
Electricity Distribution & Generation – commercial customer service (quartile ranking)	3rd quartile	4th quartile	-	-	
NETWORK RELIABILITY					
Electricity transmission – network reliability: Number of MWh lost (MWh)	147	266	437	<253 in 2009/10	
Electricity distribution – network reliability: Average time the average customer is without power over the year (mins)	114	114	110	<122 in 2009/10	

Key

* Excludes KeySpan. Figures in brackets, where available, are as if KeySpan had been owned for the entire year.

^ Excludes gas and fuel oil used by generating facilities.

^ Includes fines associated with Ravenswood generation station. Ravenswood has subsequently been sold.

- Incomplete or no data available.

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