

HSBC SRI conference

Frankfurt | February 2015



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Setting out our responsible business goals

Connecting you to your energy today, trusted to help you meet your energy needs tomorrow

Sets direction for sustainable decision making, and responsible business reporting



The image shows a screenshot of the National Grid website's 'Responsible Business' page. At the top, a navigation menu includes 'Home', 'About us', 'Responsible business', 'Investors', 'Media', and 'Careers'. The main header features a large image of a young girl smiling while looking at a digital display. A pink award badge on the right side of the image reads 'RESPONSIBLE BUSINESS OF THE YEAR 2014 BUSINESS IN THE COMMUNITY'. Below the main image, three distinct goal categories are presented, each with a representative image and a colored label:

- Preserving Environmental**: Accompanied by an image of a lush green landscape with a pond and trees.
- Inspiring Economic**: Accompanied by an image of a diverse group of people in red jackets, likely a sports team.
- Designing Social**: Accompanied by an image of people in a meeting, looking at documents and a tablet.

Responsible business makes good financial sense



Preserving



Inspiring



Designing

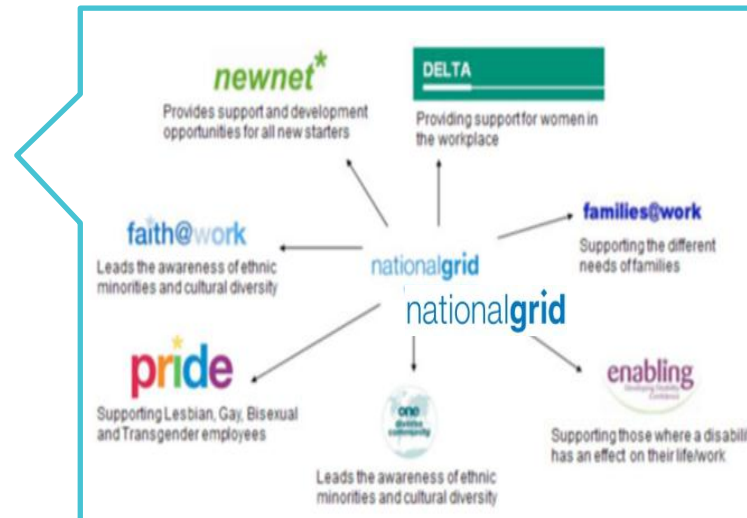
Business in the Community

Responsible business of the year 2014

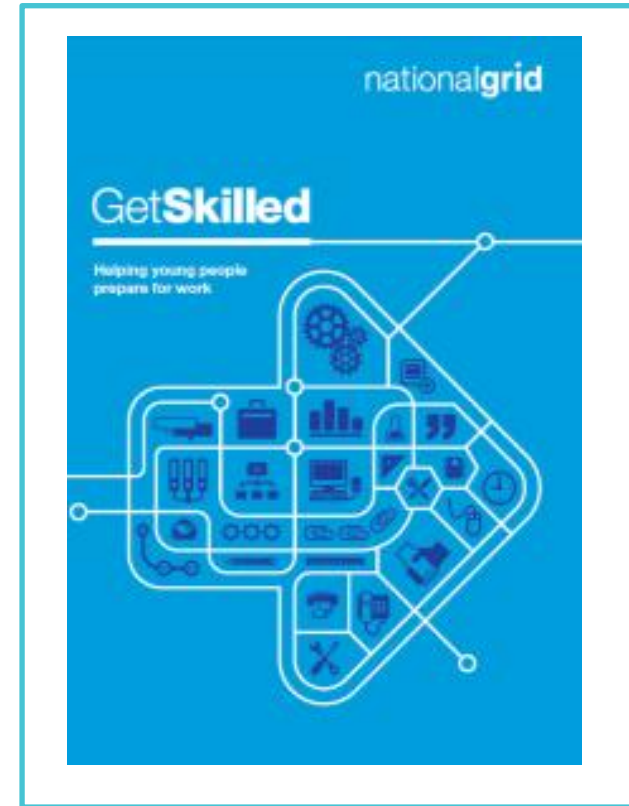


Responsible business: our people

- ◆ Improving safety
- ◆ Training academy
- ◆ Inclusion and diversity
- ◆ Employee health and support
- ◆ Employee survey and engagement targets
- ◆ Reward and pensions



Inspiring for the future



Addressing a skills shortage (STEM)

- ◆ Getting people into work
 - ◆ Young offenders programme
- ◆ Educating to develop skills



Over the last year:

- ◆ 8,100 STEM conversations in class
- ◆ 80,000 contacts through fairs
- ◆ 150 Education Ambassadors
- ◆ Over 90,000 training days

Responsible business: our customers & communities

- ◆ Improving safety
- ◆ Affordable warmth programmes
- ◆ Energy efficiency programmes
- ◆ Minimising customer bill impacts
- ◆ Community outreach
- ◆ Charity partnerships
- ◆ Property JV: affordable housing
- ◆ Disruption & visual amenity



Designing for the future

£500M
ALLOWANCE
TO BENEFIT
NATIONAL PARKS
AONBs AND
NATIONAL
SCENIC AREAS



theguardian

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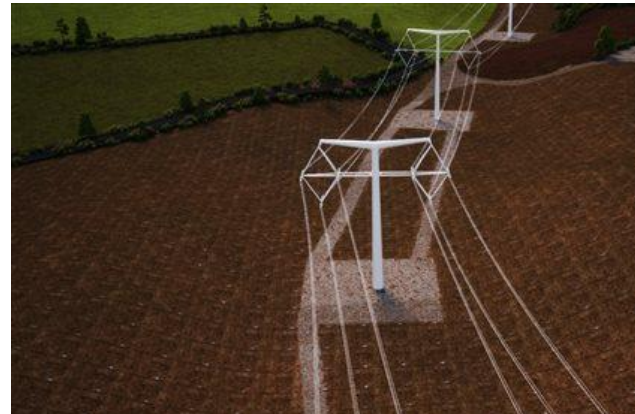
[Environment](#) > [Conservation](#)

theguardian.com has a new look coming soon

[preview it now](#) →

National Grid's £500m plan to move
biggest and ugliest pylons underground

Eight national parks and areas of outstanding natural beauty on



Responsible business: our investors

- ◆ Corporate governance
 - ◆ Board diversity
 - ◆ reporting & transparency
 - ◆ new remuneration & long-term incentives
- ◆ Complementing operational excellence with responsible business approach
 - ◆ improving safety
 - ◆ risk management
 - ◆ ethical approach



Sustainable dividends & asset growth

Responsible business: our environment

- ◆ Key role enabling de-carbonisation
 - ◆ connecting low carbon generation
 - ◆ system operation and balancing
- ◆ Company greenhouse gas emission reduction targets
- ◆ Material re-use and recycling
- ◆ Enhancing ecosystems
 - ◆ Land remediation and re-use
 - ◆ Rural biodiversity
- ◆ Embedding sustainability in decision making



Preserving for the future



Smart Energy Solutions program, Worcester MA

- ◆ Most comprehensive smart grid pilot underway in the Northeast
- ◆ Advanced communications and automation
- ◆ 2014 - new “smart” pricing plans



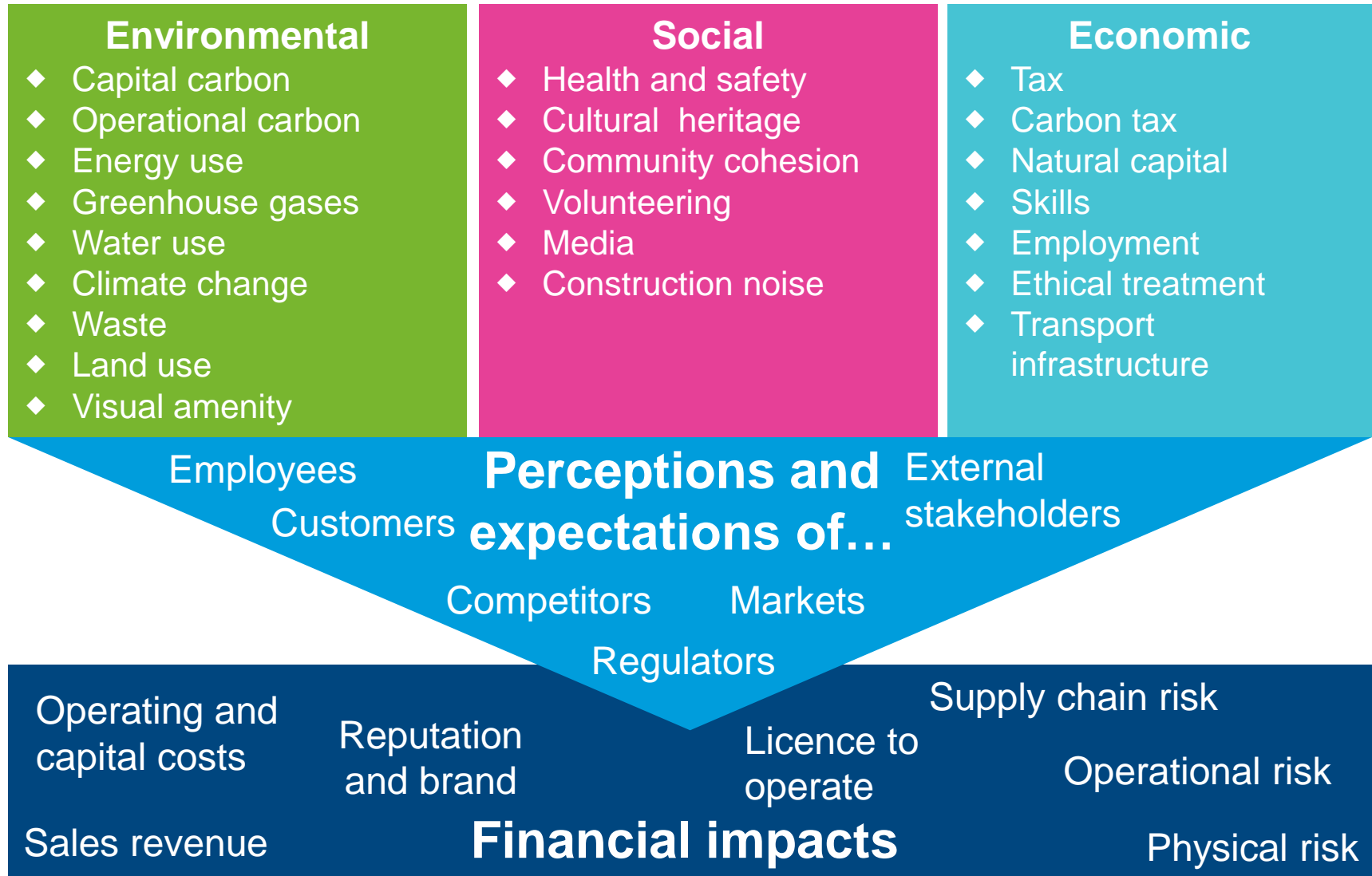
“put our customers in control of their energy and do so in ways that are easy and convenient for them”

Embedding sustainability



A4S Chief Financial Officers' Network is focusing on integrating environmental and social issues into financial decision making

What factors might we consider?



Carbon interface tool

What is it?



A tool developed in house to measure a project's carbon footprint .

What it tells us

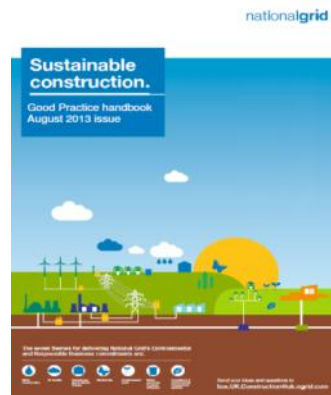
Voltage	Equipment	Qua
400kV	Disconnecter 3ph	
400kV	Earth Switch 3ph	
400kV	CVT No Foundation 1ph	
400kV	SF6 Circuit Breaker 3ph	

Different material impacts occur in different schemes. Substation projects have a low intensity and gas projects a higher intensity. Highest impacts come from civils

Focus

Key areas to help drive reductions and implementing change into schemes

- Steel
- Concrete
- Aluminium



Targets

?tCO₂/£m

We now understand our baseline (190tCO₂/£m) and will target reducing by 10% in the next 12 months.

Valuing natural capital tool

What is it?



A tool developed with external support that provides us with a common language to engage with stakeholders and evaluate options

It helps us to



Identify Natural Capital values and make better investment decisions to secure social, environmental and economic returns

How we might use it

Quantify

- Natural Capital on National Grid sites

Assess

- Ecosystem Services provided

Value

- Each of these ecosystem services

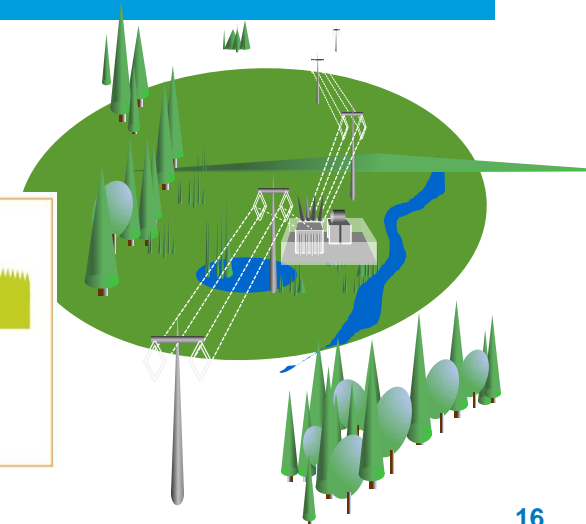
Identify

- Potential risks, opportunities and revenues

Develop

- More informed management decisions

Targets



Future skills

The engineering sector needs skills. We're helping schools across our service areas teach children the value of maths, science and technology. We're bringing to life the role that engineering plays in everybody's lives. And we're creating the foundations for a future workforce to help us keep the lights on and the gas flowing for all.



www.nationalgrid.com/responsibility

Our direct greenhouse gas emissions

Our own emissions were 7.5 million tonnes carbon dioxide equivalent, 9% less than the previous year.

7.5m

23,909

Headcount (as at March 31 2014)

Our workforce is split 77% male, 23% female. That split is virtually the same when looking at the senior management community.



www.careers.nationalgrid.com



9,525
schoolchildren
engaged with us
in the last year

848

delivered apprentices
and engineering
training places in
the UK since 2004

Around
28,500

supply chain jobs

We work with around 7,500 supplier companies worldwide, and spend approximately £4.6 billion (\$7.5 billion) on the materials, goods and services we need to do our job. We estimate we support more than 28,500 jobs in the first tier of our supply chain alone – those companies that are our suppliers across the globe.

designing

inspiring

preserving

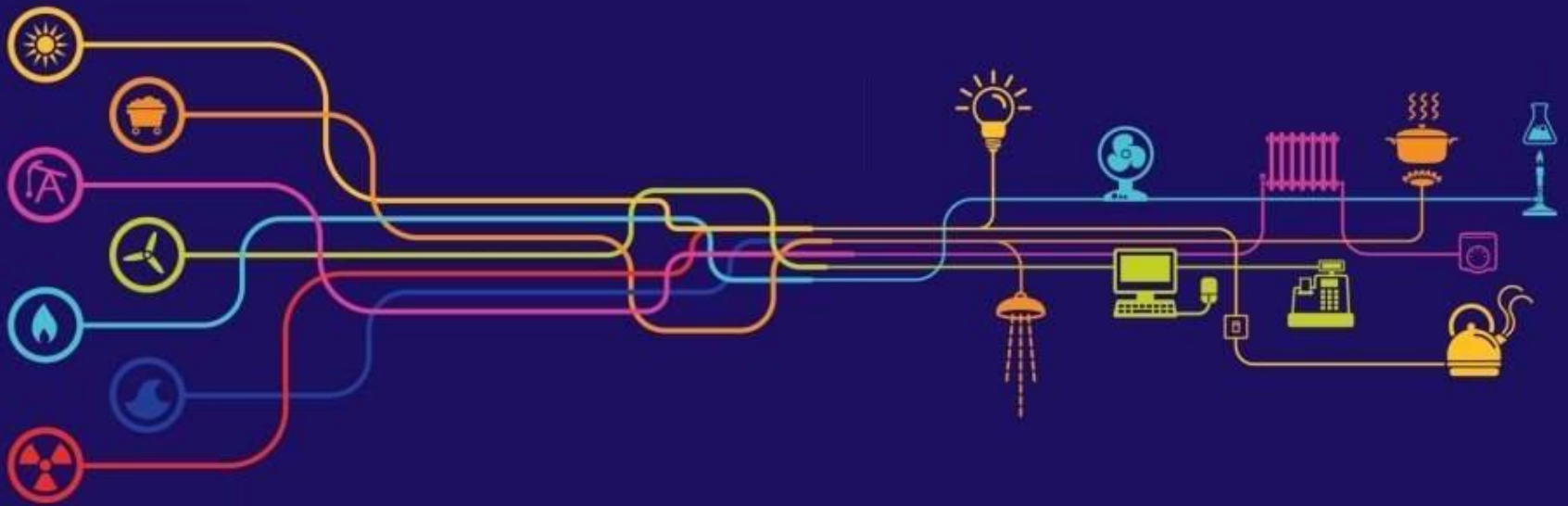
nationalgrid

connections
that matter

How we behave as
a responsible business
Summary report 2014



Sustainability



HSBC SRI Conference
February 2015

Understanding our footprint

Our role in decarbonising the economy

Our impacts and how we and our supply chain operate



Leadership in energy policy	Environmental impact from the goods and services we provide
Providing the infrastructure to decarbonise society	Environmental impact from goods and services that are provided to us



Helping to decarbonise energy

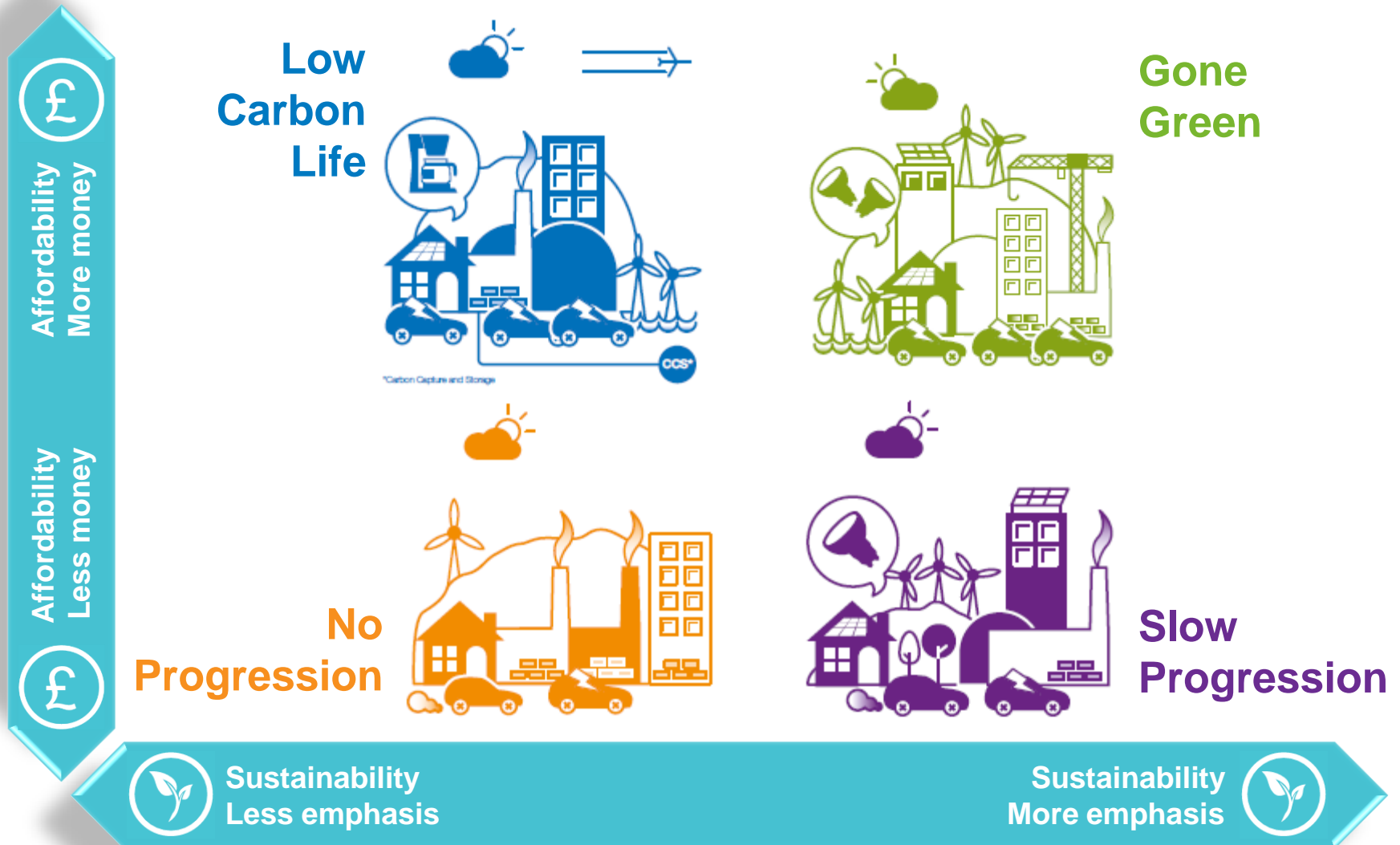
Our role in decarbonising the economy



Leadership in energy policy

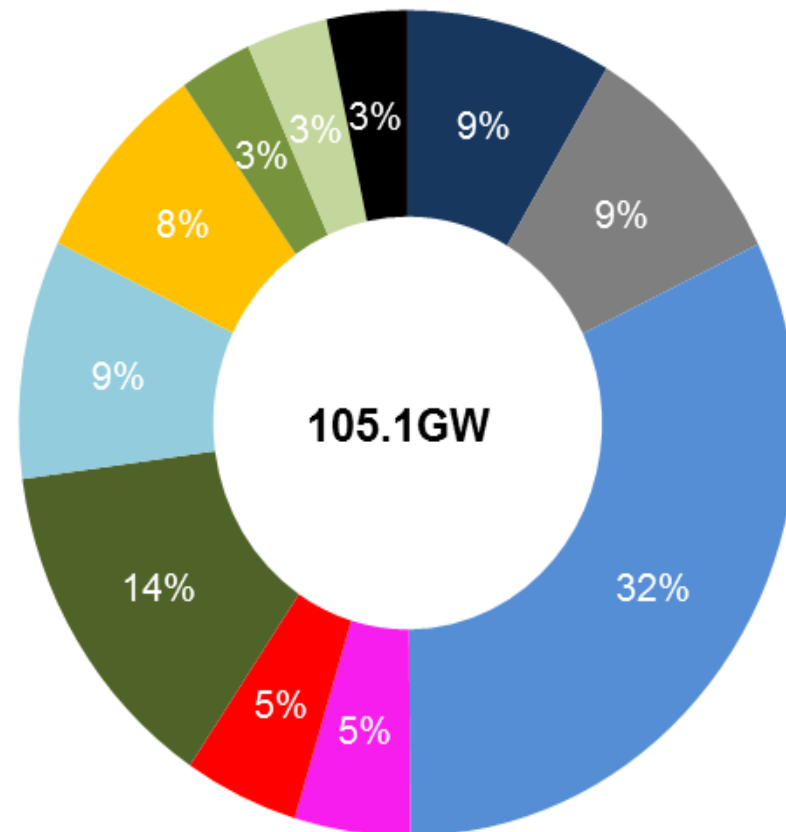
Providing the infrastructure to decarbonise society

Our 2014 Future Energy Scenarios



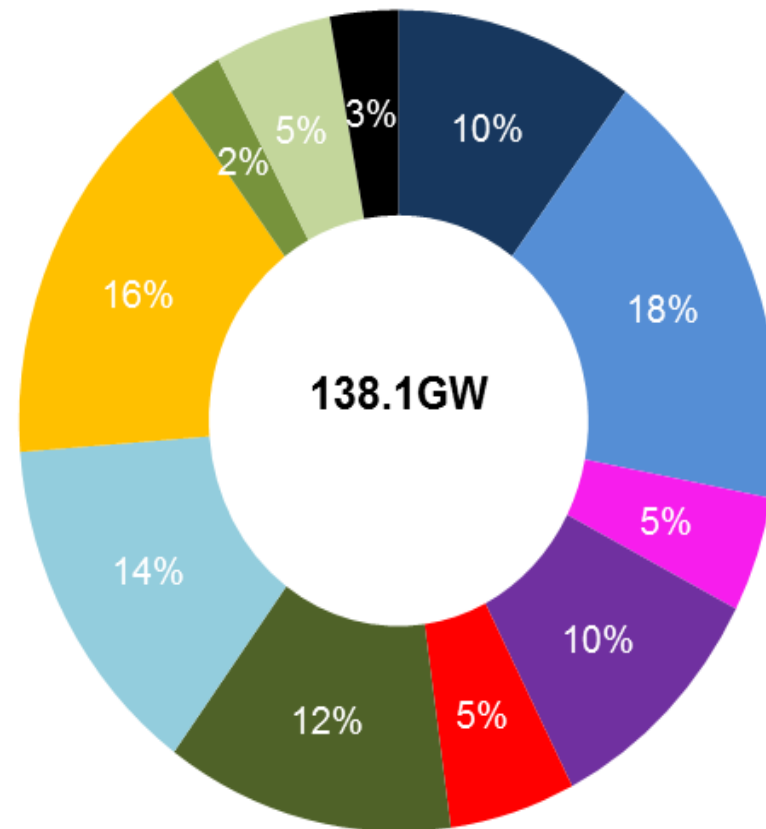
Low Carbon Life Installed Capacity 2020

- Nuclear
- Coal
- Gas
- CHP (Thermal & Renewable)
- CCS
- Interconnectors
- Onshore Wind
- Offshore Wind
- Solar
- Biomass
- Other Renewables (Marine/Hydro/Other)
- Other (Oil/Diesel/Pumped Storage)



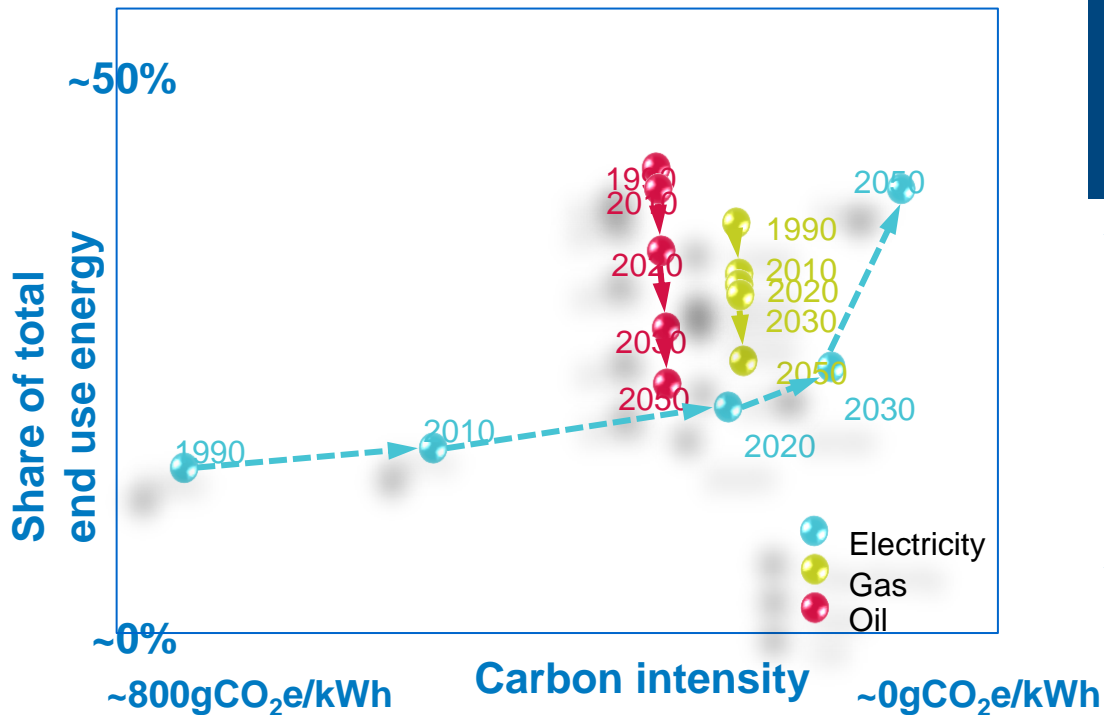
Low Carbon Life Installed Capacity 2035

- Nuclear
- Coal
- Gas
- CHP (Thermal & Renewable)
- CCS
- Interconnectors
- Onshore Wind
- Offshore Wind
- Solar
- Biomass
- Other Renewables (Marine/Hydro/Other)
- Other (Oil/Diesel/Pumped Storage)



Facilitating Connection of Low Carbon Generation

A 'Low Carbon Life' pathway to 2050:



Power station closures
~25%
of total capacity by 2020
vs 2010 levels



Energy from renewables
~15%
of total supplies by 2020

- ◆ Policies in place to aid the development of renewable energy & reduction of carbon emissions
 - ◆ Large Combustion Plant Directive
 - ◆ Industrial Emissions Directive
- ◆ National Grid is at the heart of connecting new generation as existing generation plant nearing end of working life & to be decommissioned

Network investment

Building the network to transport energy from new locations

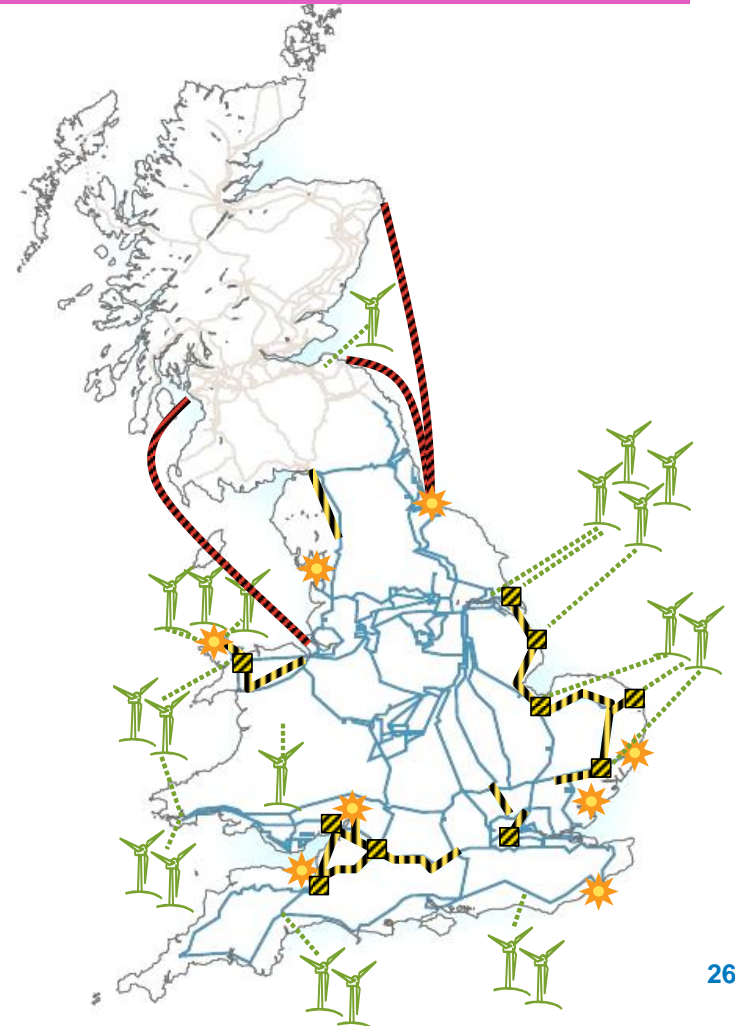
New Generation increasingly located on coast

Wind power from Scotland

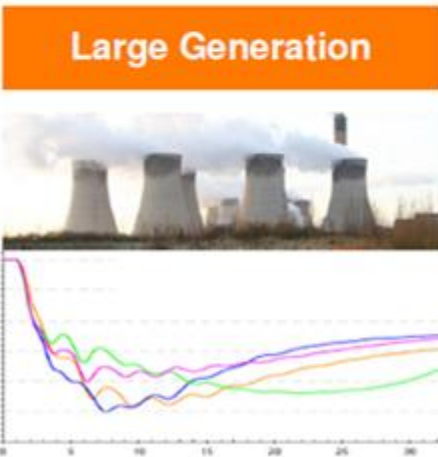
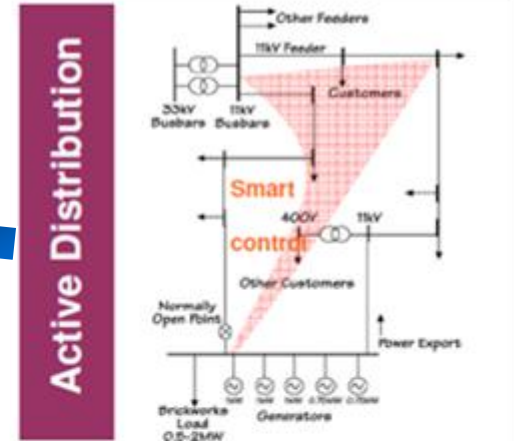
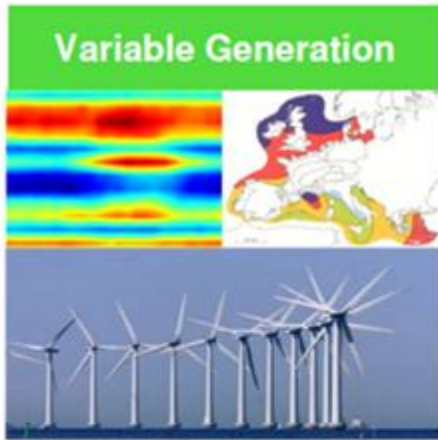
Wind power from the North & Irish Sea

Wind power from Wales

Nuclear power



Operating in 2020 and beyond...



Greater Interconnection



Active Demand



Understanding our own footprint

Our impacts and how we and our supply chain operate

Environmental impact from the goods and services we provide

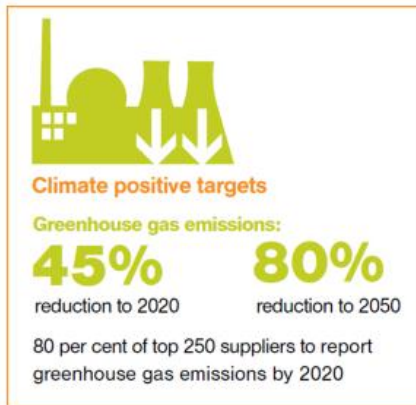
Environmental impact from goods and services that are provided to us



What Are We Doing - Sustainability



We've made additional external commitments



In the UK: Infrastructure Carbon Review (ICR)

Initiative from HM Treasury aiming to drive infrastructure companies to embed carbon reduction across activities and supply chains



THE PRINCE'S ACCOUNTING FOR SUSTAINABILITY PROJECT

A network of CFOs focusing on integrating environmental and social issues into financial decision making

Embedding sustainability in decision making

Our Contribution

A framework for environmental sustainability in National Grid

Climate
Positive


Positive about
resources

Enhancing
Ecosystems



Climate positive

- ◆ Committed to reduce greenhouse gas emissions by 45% by 2020 and 80% by 2050, for Scope 1 and 2 emissions
- ◆ Primary sources of our own direct emissions are fugitive and vented natural gas from US & UK distribution systems, SF6 emissions from US & UK electricity transmission plant fuel consumed by gas compressors and US Electricity Generation



Climate positive targets

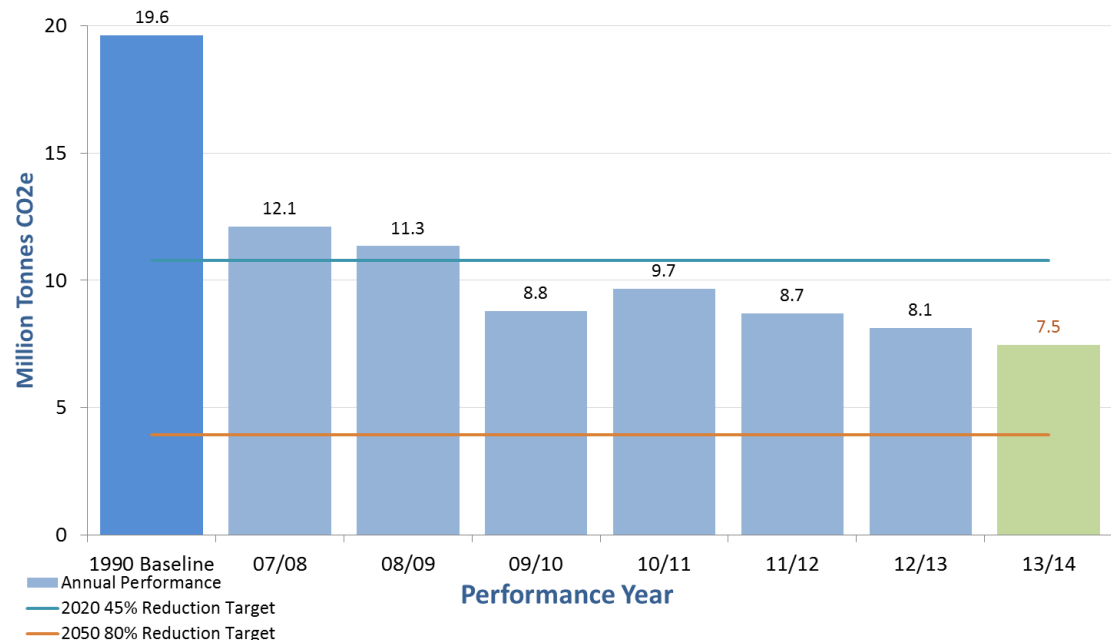
Greenhouse gas emissions:

45% reduction to 2020

80% reduction to 2050

80 per cent of top 250 suppliers to report greenhouse gas emissions by 2020

This year we achieved 97 B in our CDP investor response placing us in the Carbon Disclosure Leadership Index



Climate Positive – what have we been doing?



Gas mains replacement



SF6 leakage reduction



Brown fields to solar farms in Massachusetts



Grain heat pipe

Engaging customers in energy efficiency in the US

- Championing energy efficiency
 - 2.8 million customers participated in 2013
 - 700,000 gas (up 50%)
 - 2.1 million electric (up 52%)
 - savings of 24 million therms of gas and 800,000 MWHrs electricity each year
 - 696,000 tons CO₂e/yr avoided
- Encouraging smart energy choices
 - Smart grid for 15,000 customers in Worcester
 - Customer and grid-facing technology
 - Efficiency gains to result in reduced customer consumption



Our states lead ACEEE policy rankings



Positive about resources – asset recovery

Closed loop upcycling - conductor

- ◆ Pilot 18t of high specification aluminium sent back to supplier to be turned back into overhead line conductor completed
- ◆ Next batch of 200t to be sent shortly (finalising waste carrier licence)
- ◆ Financial value and reduced exposure to commodities price fluctuation



Asset recovery - cables

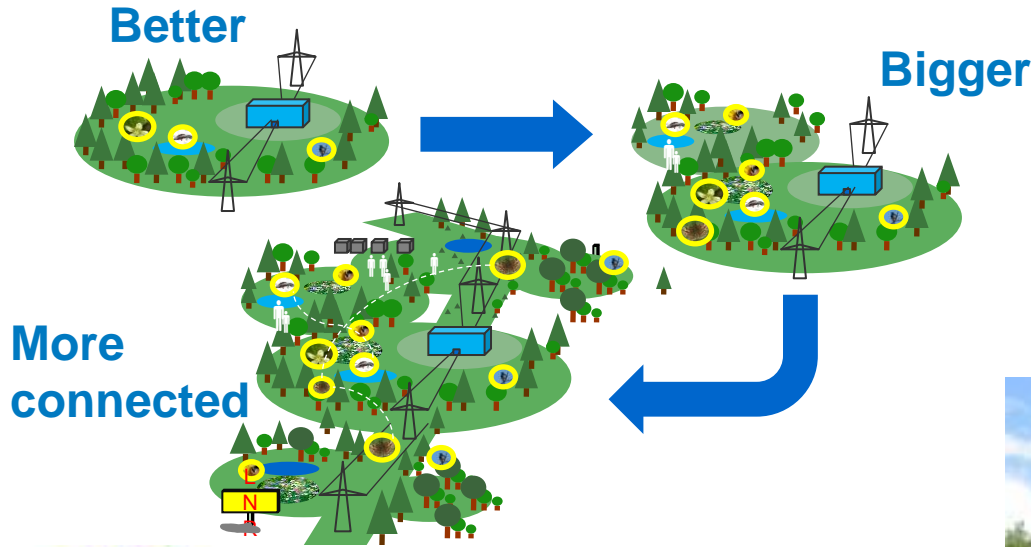
- ◆ Piloted innovative directional drilling technique to remove buried copper conductor
- ◆ Recover value of material
- ◆ Mitigation of residual environmental risk of asset left in ground

Material Recovery - Syracuse

- ◆ Recycles transformers, cable, insulators, plastic pipe
- ◆ Almost 19m lbs recovered in 13/14
- ◆ New galvanizing plant to refurbish connectors



Enhancing Ecosystems



Enhancing ecosystems target
Deliver sustainability action plans at 50 sites by 2020

50



The Natural Grid

Enhancing rural biodiversity



Coventry
substation



Llandarcy



West Bolden EEC



Overhead line
'V' profile



Bolney substation



Feckenham substation



Bacton terminal

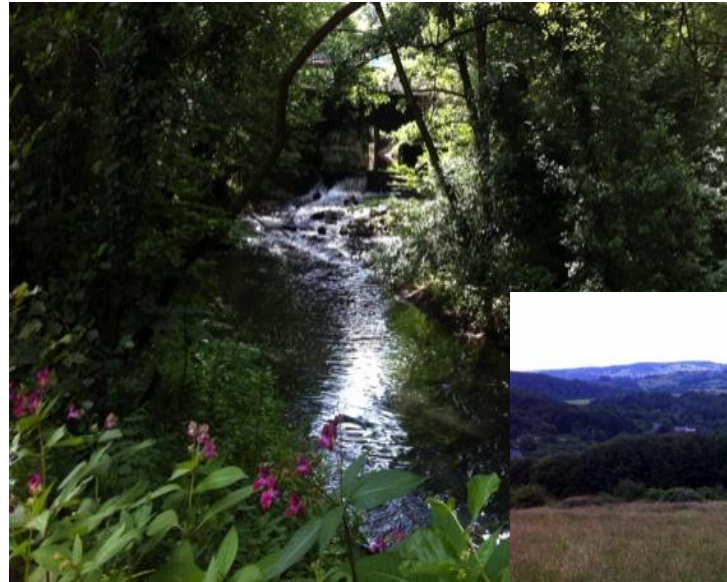


Warwick



Ambergate

Working with Natural England and Wildlife Trust to manage this new SSSI to its full potential



Thorpe Marsh



Wildlife Trust – wetland habitat enhancement



Wokingham



Employee volunteers led by local Wildlife Trust to create new pathways

Mitigation Activities & Special Projects



Photo 3: Intermittent inlet to mitigation wetland, looking west at wetland.



Photo 3: Inlet to mitigation wetland, looking west from Tributary.



Photo 4: Center of mitigation wetland, looking northwest from east side.

2012



Photo 4: Center of mitigation wetland, looking northwest from east side.

2013



Sustainability options approach tool (SOAT)

- Scheme level assessment of its overall sustainability impact
- Can be used at key stages of scheme development
- Each stage has a set of questions against which the scheme is scored against a set criteria
- An overall scorecard is produced similar to an energy performance certificate



Sustainable Procurement

Policy

The Sustainable Procurement Policy underpins the strategy and is in line with the National Grid environment policy and relevant CSR guidelines

Process

- Embed 'Tools' into CMT process
- Sustainability Tender Questions & Weightings
 - Sustainability contract management KPIs
- Total Cost of Ownership (TCO)
- Encourage innovation



Targets & Results

- Establish targets
- Measure, manage and evidence
- Publicise and celebrate success
- Lead by example
- Drive supply base improvement

Training Briefings and Research

- Sustainability Leads
- Cultural Training in US
- Develop Buyer and Category Management skills
- Continuous improvement

CONTACTS

Investors

John Dawson	+44 20 7004 3170	+44 7810 831944 (m)
Andy Mead	+44 20 7004 3166	+44 7752 890787 (m)
George Laskaris	+1 929 324 4710	+1 917 375 0989 (m)
Victoria Davies	+44 20 7004 3171	+44 7771 973447 (m)
Tom Hull	+1 917 524 4099 (m)	
Michael Ioanilli	+44 20 7004 3006	+44 7789 878784 (m)

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