

Anti Fraud and Bribery Policy – final

NATIONAL GRID PLC

GROUP POLICY STATEMENT

ANTI FRAUD AND BRIBERY

1. Objective

- 1.1 National Grid is committed to the prevention, deterrence and detection of fraud, bribery and all other corrupt business practices. National Grid has zero tolerance toward such behaviour. Losses due to fraud, bribery and all other corrupt business practices can be more than just financial in nature; they can potentially damage the company's reputation as well. The reputation of National Grid for lawful and responsible business behaviour is of paramount importance and is one of its greatest assets.
- 1.2 This policy provides a coherent and consistent framework to enable National Grid employees to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees to identify and effectively manage any potential breach.
- 1.3 It is required that all personnel, including those permanently employed by National Grid, temporary agency staff and contractors:
 - act honestly and with integrity at all times and to safeguard the Company resources for which they are responsible
 - comply with the spirit, as well as the letter, of the laws and regulations of all countries in which National Grid operates or hopes to operate, in respect of the lawful and responsible conduct of business
 - respect National Grid's customers, suppliers and other parties with whom it must interact to achieve its objectives by conducting business in an ethical, lawful and professional manner.
- 1.4 The key legislation and/or sources of Global best practice that input into this policy are:
 - UK Fraud Act 2006
 - UK Anti-Terrorism, Crime & Security Act 2001
 - UK Combined Code on Corporate Governance
 - UK Money Laundering Regulations 2007
 - Anti-bribery laws of all US states with which National Grid and its subsidiaries do business
 - UN Convention Against Corruption
 - Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD)
 - US Sarbanes - Oxley Act 2002
 - US Foreign Corrupt Practices Act 1977

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2. Scope

- 2.1 This policy applies to all businesses within National Grid. For Associate Companies and Joint Ventures, National Grid will seek to promote the adoption of policies consistent with the principles set out in this policy statement.
- 2.2 Within National Grid, the responsibility to control the risks of unethical business practices occurring resides at all levels of the organisation. It does not rest solely within assurance functions, but in all business units and corporate centre functions.
- 2.3 This policy covers all personnel, including those permanently employed by National Grid, temporary agency staff and contractors.

3. Policy Framework

- 3.1 Every National Grid business is required to have an effective compliance program that prohibits unethical conduct, which includes but is not limited to, the following components:
 - communication of a code of conduct to employees;
 - reporting and investigation of allegations of fraud, bribery and other corrupt practices;
 - appropriate disciplinary procedures for employees who are found to have engaged in such practices;
 - monitoring of the effectiveness of such controls.
- 3.2 Consequently, National Grid and each of its businesses must take the appropriate steps to ensure that it and all its employees and those acting on its behalf:
 - meet all legal and regulatory requirements governing the lawful and ethical conduct of business;
 - ensure all breaches or suspected breaches of this policy are fully investigated and, if appropriate, invoke disciplinary measures and take prompt action to remedy the breach and prevent any repetition;
 - make all employees aware of their personal responsibilities and adhere strictly and at all times to this policy;
 - provide information to all employees and further guidance if they have any question or uncertainty regarding these requirements;
 - provide information to all employees on the procedures available to them to report any breach or suspected breach of this policy, in accordance with the Group's policy on The Requirement for Written Codes of Ethics for employees (incorporating) Whistleblower Protection;
 - include in agreements with third parties, in connection with international ventures or projects, appropriate clauses to ensure that persons who are acting on National Grid 's behalf do not engage in any illegal, improper or questionable conduct, particularly if there are factors that might increase the risk of breach of this policy, such as accepted custom and practice within the country of operation;
 - prohibit employees or persons and entities acting on behalf of National Grid to receive, offer, promise, improperly influence payment, authorise payments or contract award, directly or indirectly, in return for anything of value (for example a

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bribe or kickback). Further guidance should be sought from the policy documents detailed in section 4;

- prohibit payments including “facilitating” or “expediting” payments to others in order to secure prompt or proper performance of routine duties;
- prohibit the use of subcontracts, purchase orders or consulting agreements either as a means of channelling payments, or otherwise rewarding such persons or their relatives or business associates;
- ensure transactions are properly and accurately recorded.

3.3 The relevant laws extend to activities undertaken by others acting on National Grid’s behalf. Their actions can subject National Grid to liability and therefore care should be taken to ensure that contractors, agents and others who are acting on behalf of National Grid do not engage in any illegal or improper conduct.

3.4 Every National Grid business is expected to take firm disciplinary action in cases of proven fraud, bribery or other corrupt practices. This will very likely be immediate termination. Furthermore, all significant cases of such practices shall be reported to the public authorities unless the Group Company Secretary and General Counsel approves otherwise.

3.5 Resources are available to assist National Grid businesses to implement this policy by the provision of advice on its terms and specific issues that arise. Please contact the Policy Lead for further information.

4. Related Group Policies and Other Documents

4.1 The National Grid policies and other documents related to this policy statement are:

- Framework for Responsible Business
- UK Code of Business Conduct
- Anti Fraud Reporting Procedures
- Standards of Conduct for US Employees
- Resolving Your Concerns – Process US
- Policy on Requirement for Written Codes of Ethics for Employees / Whistleblower Protection
- Terms of Reference of the Audit Committee and the Risk & Responsibility Committee

5. Key Contacts

Policy Owner

- Group Company Secretary & General Counsel

Policy Lead

- Audit Manager, Fraud

First Point of Contact for reporting suspected breach

- Immediate Manager
- Business Conduct Office/ Ethics Office
- Audit Manager, Fraud

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6. Monitoring and Compliance

- 6.1 The Group Company Secretary & General Counsel will review compliance with this Policy statement annually, with the Policy Lead. Any changes needed to ensure its effectiveness will be drawn to the attention of the Board's Audit Committee and to the Board itself.
- 6.2 Each business within National Grid will ensure that it has the necessary arrangements in place to monitor and report compliance against defined fraud categories and against this policy on an annual basis. Each Associate Company and Joint Venture will be encouraged to put in place similar arrangements to enable compliance to be reported on an annual basis.
- 6.3 Compliance will be monitored through the annual Letter of Assurance process, with further assurance being sought through the delivery of targeted assurance reviews. General understanding and awareness to the policy will also be assessed within the employee survey.

7. Definitions

Fraud: Intentional misrepresentation or concealment of the truth in order to secure something of value from another. The Fraud Act 2006 includes fraud by false representation, by failing to disclose information and by abuse of position.

Corruption: Illegal, immoral or dishonest behaviour.

Bribe: to ask or make someone do something for you, in return for payment (for example, but not limited to) payment, gifts, money or favours

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

Employee: Any full or part-time director, officer, manager or employee of National Grid or a subsidiary company, whether unionised or non-unionised.

Joint Venture: A commercial undertaking entered into by two or more parties (one being a National Grid company), by setting up a separate company in which all partners generally have equal shares.

8. TIMING

- Date original policies came in to effect July 2005 & May 2006
- Date procedure was last updated January 2009
- Date procedure will next be reviewed December 2009