

## **NATIONAL GRID PLC**

### **MATTERS RESERVED FOR THE BOARD**

#### **Introduction**

The new UK Corporate Governance Code 2018 (the 'Code') states that every company should be headed by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the Company generating value for shareholders and contributing to wide society. The Board should also establish a framework of prudent and effective controls which enables risk to be robustly assessed and managed. The board should set the company's strategic aims, ensure that the necessary financial and human resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards and ensure that its obligations to its shareholders and others are understood and met.

All directors must act in what they consider to be the best interests of the company consistent with their statutory duties. Broader implications, including the interest of employees and how the actions and behaviours of the company affect its customers, suppliers, the community and the environment as well as the Company's reputation, as set out in s.172 of the Companies Act and the Code.

#### **1. Strategy, Management and Finance**

- 1.1 Approval of significant changes to the Group's management and control/corporate structure
- 1.2 Approval of National Grid's finance policy, in particular with regard to tax strategy and off-balance sheet financing
- 1.3 Approval of any material change in National Grid's accounting policies or practices
- 1.4 Decision to appoint, reappoint or remove auditors, following recommendations from the Audit Committee
- 1.5 Setting and monitoring the Group's strategic risk appetite
- 1.6 Approval of and monitoring of the Group's principal risks
- 1.7 Approval of the Group's viability statement and associated assessment period
- 1.8 Oversight of cyber risk
- 1.9 Approval and review of the business strategy and long-term strategic objectives of National Grid in light of the agreed principal risks and risk appetite
- 1.10 Approval of the five year company strategic plan and annual budget
- 1.11 Any material extension of the Group's activities into new business or geographic areas
- 1.12 Any decision to cease to operate all or any material part of the Group's business
- 1.13 Making or responding to any take over bid subject to the City Code on Takeovers and Mergers
- 1.14 Authorising changes affecting the capital structure of National Grid or its status as a plc or listed company
- 1.15 Approval of major capital projects guarantees and indemnities
- 1.16 Approval of major regulatory matters
- 1.17 Approval of appointment of corporate brokers

#### **2. Director and Employee Issues**

- 2.1 Changes to the structure, size and composition of the Board and Board Committees
- 2.2 Adequate succession planning for the Board and senior management so as to maintain an appropriate balance of skills, experience and knowledge within the Company and on the Board
- 2.3 Division of responsibilities of the Chairman, Senior Independent Director, Committee Chairmen, the Chief Executive and other Executive Directors, which should be clearly established, set out in writing and agreed by the Board
- 2.4 Appointment, re-appointment or removal of Directors and Group General Counsel and Company Secretary

- 2.5 Determination of the independence of Non-executive Directors following recommendations from the Nomination Committee
- 2.6 Determination of the framework or broad policy for the remuneration of the Chairman, Chief Executive, Executive Directors, Group General Counsel and Company Secretary and direct reports to the Chief Executive (following recommendation from the Remuneration Committee)
- 2.7 Material changes to rules, funding and management arrangements for the pension schemes and post-retirement healthcare plans (on recommendation of the Executive Committee)
- 2.8 Establish and maintain a mechanism for strengthening the voice of employees and other stakeholders in the boardroom.
- 2.9 Determination of the other significant demands on directors time prior to, and during, their appointment.

### **3. Corporate Governance**

- 3.1 Responsibility for the overall leadership of National Grid and setting the Company's values and standards
- 3.2 Establishing committees of the Board, their terms of reference and approving any material changes thereto
- 3.3 Undertaking a formal and rigorous annual review of its own performance and that of its Committees and individual Directors (in conjunction with the Nominations Committee)
- 3.4 Ensuring maintenance of a sound system of internal control and risk management arrangements throughout National Grid and conducting an annual review of the effectiveness of these arrangements
- 3.5 Approval of significant new National Grid Policies, Public Position Statements, Procedures and Codes, and major revisions as necessary
- 3.6 Authorising conflicts of interest where permitted by the Company's Articles of Association
- 3.7 Consideration of material allegations or litigation affecting National Grid

### **4. Financial Reporting and Shareholders**

- 4.1 Approval of full and half-year results announcements and other financial updates to stock exchanges on which National Grid's shares are listed
- 4.2 Approval of the National Grid Annual Report and Accounts and Annual Report on Form 20-F
- 4.3 Approval of the dividend policy and approval and declaration of the interim dividend and recommendation of the final dividend and any scrip dividend alternative
- 4.4 Calling any general meeting of National Grid's shareholders and approval of the Resolutions and documentation sent to shareholders
- 4.5 Ensuring satisfactory dialogue with the Company's key stakeholders to keep in touch with stakeholder opinions, issues and concerns
- 4.6 Authorising the allotment of National Grid shares including under a scrip dividend (through delegations where appropriate) and any purchase of National Grid's own shares (buyback)
- 4.7 Approval of any prospectus, listing particulars or other document requiring to be approved by or filed with a stock exchange on which National Grid shares are listed (other than routine announcements or filings and debt listing particulars)

### **5. Other**

- 5.1 Any other matters of strategic, financial, operational or reputational importance likely to have significant impact on National Grid
- 5.2 This schedule of Matters Reserved for the Board
- 5.3 Approval, on its recommendation, of any item which falls outside the authority delegated to the Executive Committee or any of the Board Committees