



National Grid plc Board Governance

June 2020

nationalgrid

Contents

MATTERS RESERVED FOR THE BOARD	2
TERMS OF REFERENCE OF THE AUDIT COMMITTEE	5
TERMS OF REFERENCE OF THE FINANCE COMMITTEE	15
TERMS OF REFERENCE OF THE NOMINATIONS COMMITTEE	20
TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE	25
TERMS OF REFERENCE OF THE SAFETY, ENVIRONMENT AND HEALTH COMMITTEE	32
RESPONSIBILITIES OF CHAIRMAN, CHIEF EXECUTIVE AND SENIOR INDEPENDENT DIRECTOR	38
OUR STAKEHOLDERS – SECTION 172(1) STATEMENT	41

MATTERS RESERVED FOR THE BOARD

APPROVED JANUARY 2020.

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
- 2.6 Determination of the independence of Non-executive Directors following recommendations from the Nomination Committee
- 2.7 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)
- 2.8 Material changes to rules, funding and management arrangements for the pension schemes and post-retirement healthcare plans (on recommendation of the Executive Committee)
- 2.9 Establish and maintain a mechanism for strengthening the voice of employees and other stakeholders in the boardroom
- 2.10 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 Stakeholders

- 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. Financial Reporting and Stakeholders

- 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

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

APPROVED APRIL 2020.

Reference to the “Company” shall mean National Grid plc.

Reference to the “Group” shall mean National Grid plc and all of its wholly owned subsidiaries.

Reference to the “Committee” shall mean the Audit Committee.

Reference to the “Board” shall mean the Board of Directors of the Company.

1. Membership

- 1.1 The Committee shall be appointed by the Board and shall comprise a Chair and at least 2 other members on the recommendation of the Nominations Committee in consultation with the Audit Committee Chair. Membership shall normally include at least one member of the Safety, Environment and Health Committee.
- 1.2 The Chair and members of the Committee shall all be independent Non-executive Directors, as determined by the Board after considering UK and US law, regulation and best practice. The Chair of the Board shall not be a member of the Committee.
- 1.3 Whilst the Committee itself is made up entirely of Non-executive Directors, other individuals such as the Chair of the Board, Chief Executive, Chief Financial Officer, lead external audit partner, representatives of the external auditors, Global Head of Audit, Group Financial Controller and Group General Counsel and Company Secretary (or his/her nominee) may be invited to attend by the Committee and would normally attend each meeting. Other Executive Directors, external advisers and the Head of Global Assurance may be invited to attend as and when considered appropriate by the Committee and in respect of the items that are relevant to them.
- 1.4 If a regular member is unable to act due to absence, illness or any other cause, the Chair of the Committee may appoint another independent Non-executive Director of the Company to serve as an alternate member on a short term basis.
- 1.5 The Board shall appoint the Chair of the Committee. In the absence of the Chair of the Committee and any appointed deputy, the remaining members present shall elect one of their number who is present to chair the meeting.
- 1.6 At least one member of the Committee must have competence in accounting or auditing, or both. This person, or another, shall be a financial expert with recent and relevant financial experience (who ideally holds a professional qualification) and who satisfies the requirements as determined by the Board, with due regard to relevant legal and best practice requirements.
- 1.7 The Committee as a whole shall have competence relevant to the sector in which the Company operates, as determined by the Board, with due regard to relevant legal and best practice requirements.

2. Secretary

- 2.1 The Group General Counsel and Company Secretary or his/her nominee shall act as the Secretary of the Committee.

3. Quorum and voting

- 3.1 The quorum necessary for the transaction of business shall be 2 members of the Committee. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 3.2 If any conflicts of interest exist with a particular member of the Committee on any particular issue then such member of the Committee shall not participate or vote on the issue that gave rise to such conflict of interest.

4. Frequency of Meetings

- 4.1 The Committee shall meet prior to publication of the full and half-year financial results of the Company and at such other times as the Chair of the Committee or any of its members shall require (to coincide as appropriate with meetings of the Board). It is intended the Committee shall meet not less than 4 times per year. During the financial year it is also intended the Committee shall meet with the corporate auditors and the external auditors, without management present. The Committee shall engage and maintain dialogue with the Chair of the Board, Chief Executive and Chief Financial Officer as appropriate.
- 4.2 Where the Committee receives a report from the Business Separation Compliance Officer ("BSCO") that there has been a breach of:
- Paragraphs 1 and 4 of Special Condition 10B of the gas transporters' licence held by National Grid Gas plc in respect of the gas national transmission system; and /or
 - Paragraph 1 of Special Condition 4F of the gas transporters' licence held by National Grid Gas plc in respect of the UK gas distribution networks.

The Committee shall convene within 14 calendar days to consider what action it should recommend to National Grid plc in response to such breach.

5. Notice of Meetings

- 5.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of the Chair of the Committee, any of its members or the external or corporate auditors if they consider it necessary.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be circulated or made available electronically to each member of the Committee and any other person required to attend no fewer than 4 working days prior to the date of the meeting to enable proper consideration of the relevant issues.

6. Minutes of Meetings

- 6.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 The Secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, following the approval of the Chair of the Committee, to other members of the Board, the external auditors, Group General Counsel and Company Secretary, Global Head of Audit and Group Financial Controller unless inappropriate to do so.
- 6.4 The Chair of the Committee, or in his or her absence another member of the Committee, will report orally to the Board on meetings of the Committee.

7. Shareholder Engagement

- 7.1 The Chair of the Committee shall attend the Annual General Meeting (AGM) and General Meetings prepared to respond to any shareholder questions on the Committee's activities.
- 7.2 The Chair of the Committee will engage with shareholders, as necessary, on significant matters related to this Committee's areas of responsibility, where necessary.

8. Duties

- 8.1 The Committee should carry out the duties below for the Company, subsidiary undertakings and the group as a whole, as appropriate.

8.2 Internal Control, Risk and Compliance

- 8.2.1 The Committee shall keep under review and report to the Board on its activities, on the adequacy and effectiveness of the internal controls (including financial, operational and compliance controls), and the procedures for the identification, assessment and reporting of business risks. In undertaking its review, the Committee shall consider any appropriate issues raised by corporate audit in its internal control reports and any disclosures from corporate audit with respect to deficiencies in internal controls or any fraud.
- 8.2.2 The Committee shall also review the report on the effectiveness of internal controls and risk management required, including assessment of principal risks, emerging risks and viability statement to be included in the Annual Report and Accounts and any similar statement required to be included by the Company or its management in any document pursuant to applicable listing rules, legislation and best practice.
- 8.2.3 The Head of Global Assurance and the Group General Counsel and Company Secretary shall ensure the Committee receives risk and compliance reports respectively twice per year.

- 8.2.4 The Committee shall receive reports on a regular basis from management providing information on risk management.
- 8.2.5 The Committee shall advise the Board on proposed strategic transactions as appropriate, ensuring that a due diligence appraisal of the proposition is undertaken, focusing in particular on financial risks.
- 8.2.6 The Committee shall receive a regular report from a member of the Safety, Environment and Health Committee, or a nominated representative, on the safety, environmental and health risks and material non-compliances considered by that committee.
- 8.2.7 The Committee shall consider matters of business conduct and receive reports relating to the Company's Standards of Ethical Business Conduct twice a year.
- 8.2.8 The Group General Counsel and Company Secretary shall ensure that once a year the Committee receives a report on the procedures currently in place for the prevention and detection of bribery. Details of any material non-compliance and any cases of bribery in the relevant period will be advised, with any significant issues being brought to the Committee's attention as soon as practicable. The Committee shall advise the Board on the adequacy of these procedures and any recommendations for improvements.
- 8.2.9 The Committee shall consider the Company's annual certificate of assurance and receive a report on the process from corporate audit, as appropriate.
- 8.2.10 The Committee shall review the activities of the BSCO appointed under the gas transporters licence held by National Grid Gas plc ("Licence"). This shall be by way of interim and full year reviews of the items on which National Grid Gas plc is required to report annually, pursuant to paragraphs 7 and 8 of Special Condition 10C of the NTS Licence and shall be delivered through the Company's Compliance Management Procedure.
- 8.2.11 The Committee shall review and recommend to National Grid plc appropriate action in respect of any issue of National Grid Gas plc Board Director Non-compliance at a management board in accordance with paragraph 4.2 of these terms of reference.

8.3 **Internal (Corporate) Audit**

- 8.3.1 The Committee shall consider applications for the post and approve the appointment of the head of internal audit (Global Head of Audit). The Global Head of Audit shall not be removed without the approval of the Committee. The Global Head of Audit shall be accountable to the Committee.
- 8.3.2 The Committee shall consider and approve the terms of reference (charter) of the corporate audit function and ensure it is appropriate to the current needs of the Company. The Committee shall ensure that the corporate audit function has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with relevant professional standards.

- 8.3.3 The Committee shall review the management of corporate audit matters to ensure the scope allowed to the corporate auditors is appropriate and shall monitor and review the effectiveness of the internal audit function in the overall context of the Company's risk management system.
- 8.3.4 The Committee shall review, assess and approve the Company's annual corporate audit plan and ensure that it is aligned to the key risks of the Company.
- 8.3.5 The Committee shall review summary reports on the Company from the corporate auditors and the Head of Global Assurance dealing with key control issues, material changes to the risk profile, any significant control findings and management's responsiveness to such matters as well as other matters of specific interest to the Committee.
- 8.3.6 The Committee should ensure the Global Head of Audit has access to the Chair of the Board, the Chair of the Committee and to the other members of the Committee.
- 8.3.7 The Committee shall meet with the Global Head of Audit at least once each year without management being present to discuss the remit of the corporate audit function and issues arising from its activities.
- 8.3.8 The Committee shall receive a regular update from the Global Head of Audit on the process for identifying, quantifying, mitigating, measuring and responding to cyber-security risks.
- 8.3.9 The Committee shall monitor and review the Corporate Audit Charter to ensure the independence and effectiveness of the corporate audit function, including consideration, on an annual basis, of whether an independent, third party review of the corporate audit function's effectiveness and processes is appropriate.

8.4 **External Audit**

- 8.4.1 The Committee shall consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment, oversight and removal of the Company's external auditors. The Committee shall conduct the tender process for a new external auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- 8.4.2 The Committee shall keep under review the relationship with the external auditors including (but not limited to):
 - 8.4.2.1 the approval of the remuneration of the external auditors, the proportion of fees for non-audit services in relation to the overall fee income, and whether the level of fees is appropriate to enable an adequate audit to be conducted in line with relevant ethical and professional guidance;
 - 8.4.2.2 the approval of the terms of engagement, including any engagement letter issued at the start of each audit, and the scope of the audit.

- 8.4.2.3 review and monitor the independence and objectivity of the external auditors, including a consideration of the annual disclosure from the external auditors and the threats to their independence and the safeguards applied to mitigate those threats, taking into account relevant UK and US professional and regulatory requirements and the relationship with the external auditors as a whole, including the provision of any non-audit services, the scope of any disclosed relationships or services, the appropriateness of partner rotation practices and the Company's policies regarding the employment of employees or former employees of its external auditors and shall monitor the application of these policies;
 - 8.4.2.4 undertaking (and reporting to the Board on) an annual assessment of the qualifications, expertise and resources of the external auditors; the effectiveness and adequacy of the audit process (including a report from the external auditors on their own internal quality procedures and transparency reports) taking into consideration relevant UK and US professional and regulatory requirements; evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of withdrawal from the market by the external auditors;
 - 8.4.2.5 ensuring appropriate interaction with the activities of the corporate audit function; and
 - 8.4.2.6 discussions with the external auditors concerning such issues as compliance with accounting standards and any proposals which the external auditors have made in relation to the Company's corporate audit function.
- 8.4.3 The Committee shall review the external audit plan and ensure that it is consistent with the scope of the audit engagement.
- 8.4.4 The Committee shall meet with the external auditors at least once each year, normally post audit at the reporting stage, and on such other occasions as are required. Management shall not be present at these meetings.
- 8.4.5 The Committee shall review the findings of the audit with the external auditors including, but not limited to, discussing any major issues and management's response to such issues; accounting and audit judgments; and levels of errors identified.
- 8.4.6 The Committee shall, at least annually, conduct a review of the service provided by the external auditors, report such assessment to the Board, and, subject to the outcome of this review, may consider re-tendering external audit services. However, the audit contract shall be put out to tender at least once every ten years, or sooner if required. In respect of such tender the Committee should conduct the tender process and ensure that all tendering firms have such access as is necessary to information and individuals for the duration of the tendering process.
- 8.4.7 The Committee shall review any representation letters requested by the external auditors before they are signed by management. The Committee shall review the management letter and management's response to the auditor's findings and recommendations.

8.4.8 The Committee shall set a policy in relation to the provision of non-audit services, taking into account relevant UK and US regulations, rules and ethical guide lines, ensuring that the provision of such services does not impair the external auditors' independence or objectivity and report to the Board on this policy and any improvement or action required. This policy shall; specify the types and nature of non-audit service for which the use of the external auditor is pre-approved, such approval being limited to matters that are clearly trivial; specify that for all other non-audit services the prior approval of the Committee must be obtained; and set out how the Committee assesses whether non- audit services have a direct or material effect on the audited financial statements, how it will assess and explain the estimation of the effect on the financial statements and how it will consider the external auditors' independence.

8.4.9 The policy shall include consideration to whether the external audit firm is the most suitable supplier of the non-audit service, give consideration to the fees of the non-audit services, both individually and in aggregate, relative to the audit fee and the criteria governing compensation.

8.5 Financial Statements

8.5.1 The Committee shall monitor the integrity of the Company's financial statements included in its results announcements, Annual Report and Accounts and any other formal documents or formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.

8.5.2 The Committee shall review and challenge where necessary the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made including: the assumptions or qualifications in support of the going concern statement and the viability statement as to the Company's ability to continue in operation and meet its liabilities taking account of its current position and principal risks; the consistency of, and any changes to, significant accounting policies both on a year-to-year basis and across the Company; all material information presented with the financial statements, such as the strategic report and the corporate governance statements relating to audit and to risk management; the methods used to account for significant or unusual transactions where different approaches are possible; applicable accounting standards followed or reconciled in the financial statements; significant adjustments resulting from the external audit; and any other significant financial reporting judgements made by management.

8.6 Reporting Responsibilities

8.6.1 The Committee shall make whatever recommendations to the Board it deems appropriate in order that a report to shareholders on internal controls and such other matters as may be required by law, regulation and the requirements of good governance can be included in the Annual Report and Accounts and where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

- 8.6.2 The Committee shall review results announcements and make recommendations to the Board prior to release as appropriate on significant financial reporting issues and judgement which they contain having regard to matters communicated to it by the external auditor. The Committee shall also review generally with management the types of information to be disclosed and, where applicable, the type of presentation to be made, to analysts and rating agencies.
- 8.6.3 The Committee shall review the Annual Report and Accounts and any other report filed with the US Securities and Exchange Commission (“SEC”) containing financial statements, and make recommendations to the Board with respect to the disclosures contained therein. The Committee shall review the financial statements with management and its external auditors, consistent with its duties.
- 8.6.4 The Committee shall ensure a report to shareholders on its activities, containing such matters as may be required by law, regulation and best practice, is included in the Annual Report and Accounts. In relation to the external auditors, the report will include how the Committee assessed the effectiveness of the external audit process, the approach taken to the appointment or re-appointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans. The report will explain how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services. In relation to the financial statements, the report will include the significant issues the Committee considered and how these were addressed.
- 8.6.5 Where requested by the Board, the Committee shall provide advice on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s position and performance, business model and strategy.
- 8.6.6 The Committee shall report to the Board on how it has discharged its responsibilities, as set out in these terms of reference, including but not limited to; the significant issues it considered in relation to the financial statements, in particular those matters that have informed the Board’s assessment of whether the Company is a going concern and its consideration of the viability statement, and how these were addressed, its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor, and any other issues on which the Board has requested the Committee’s opinion.

8.7 **Other Matters**

- 8.7.1 The Committee shall assist the Board in overseeing compliance with all legal and regulatory requirements and shall give due consideration to the requirements of the UK Listing Authority’s Listing, Prospectus and Disclosure and Transparency Rules, regulations made by the SEC and, to the extent deemed appropriate, the rules of the London and New York Stock Exchanges and any other exchange on which the Company’s equity securities are listed.

- 8.7.2 The Committee shall review any reports of, and discuss any issues raised by, the Disclosure Committee in connection with the Company's disclosures in its reports filed with the SEC and other regulatory authorities.
- 8.7.3 The Committee shall oversee any investigation of activities which are within its terms of reference and be responsible for resolving any disputes that may arise between the external auditors, corporate auditors and the Company.
- 8.7.4 The Committee should, on a regular basis but no less than annually, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness. The Board should also review the Audit Committee's effectiveness annually.
- 8.7.5 The Committee shall receive reports, as and when appropriate, from the business (either via a report from the Executive Committee, a Corporate Audit finding or the Compliance Management Report) on significant areas of concern in relation to any external reporting obligations.

9. Complaints and Whistle-blowing Procedures

- 9.1 The Committee shall ensure that appropriate procedures are established, and shall evaluate the effectiveness of such procedures, for the receipt, retention, and treatment of complaints received by the Company relating to accounting, internal accounting controls, or auditing matters of the Company.
- 9.2 The Committee shall also establish procedures to ensure that submissions by Company employees and contractors arising from the Company's whistleblowing policy be treated confidentially and anonymously and are reported as appropriate to the Committee. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

10. Committee's Interface with Other Committees

The Committee shall interface with:

- 10.1 The Finance Committee in respect of risk management issues within the Finance Committee's terms of reference and any other matters identified by the Committee for further review;
- 10.2 The Safety, Environment and Health Committee which shall advise the Committee on risks and significant non compliances in relation to safety, environmental and health which it has considered;
- 10.3 The Executive Committee with respect to business conduct matters and risk and compliance reports and matters relating to financial results of the Company;

10.4 The Disclosure Committee which shall report matters arising in connection with the Company's public disclosures and the implementation and evaluation of internal controls in respect thereto; and

10.5 The Global Ethics and Compliance Committee as a result of the Committee's responsibility to ensure that a whistleblowing policy is in place and its twice yearly reviews of business conduct matters.

11. Authority

11.1 Subject to any restrictions imposed by law, the Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties and all employees are directed to cooperate with any request made by the Committee.

11.2 The Committee is authorised by the Board to call any employee to be present at a meeting of the Committee as and when required.

11.3 The Committee is authorised by the Board to access sufficient resources and professional advice, as is reasonable at the Company's expense, in order to carry out its duties, including access to the Company Secretariat for assistance as required.

11.4 Members shall be provided with training as appropriate, both in the form of an induction programme for new members and on an ongoing basis for all members.

11.5 The Committee shall have the right to publish in the Annual Report and Accounts details of any issues that cannot be resolved between the Committee and the Board.

11.6 Save as expressly provided herein, the Committee shall not be entitled to sub-delegate all or any of the powers and authorities delegated to it.

TERMS OF REFERENCE OF THE FINANCE COMMITTEE

APPROVED JANUARY 2020.

References to the “Company” shall mean National Grid plc (abbreviated as NG plc)
References to the “Group” shall mean National Grid plc and all of its wholly owned subsidiaries.
References to the “Committee” shall mean the Finance Committee
References to the “Board” shall mean the full Board of Directors of the Company

Introduction

This introduction does not form part of the formal Terms of Reference but is intended to give an indication of the scope of the Finance Committee.

The Finance Committee monitors the Financial Risk of the Group. This risk arises in a number of areas:

- Treasury
- Tax
- Pensions
- Insurance
- Commodities

The ***Finance Committee Policy Framework*** provides the framework for the policies approved by the Finance Committee.

The duties of the Committee (in relation to the areas within its scope) are:

- Set policy
- Set risk appetite having due regard to the overall risk appetite set by the Board
- Approve the rare, exceptional transactions (which it may refer to the full Board if it considers it to be appropriate to do so, e.g. when there is an equity component)
- Delegate authority to Executive Management for activities
- Review the use of new instruments and set policy and delegations as appropriate
- Monitor risks and activities

From time to time there may be a legal or regulatory reason to request a formal Board approval for items that would otherwise have been delegated to Executive Management. The Committee will consider these items as required.

1. Membership

- 1.1 The Committee shall be appointed by the Board on the recommendation of the Nominations Committee in consultation with the Chair of the Committee and shall comprise a Chair (who shall be an independent Non-executive Director) and at least 3 other members being the Chief Executive, Chief Financial Officer and one independent Non-executive Director. The independence of the Chair and Non-executive Director shall be as determined by the Board after considering UK and US regulations and best practice.
- 1.2 The Chair of the Board, Group Treasurer, Group General Counsel & Company Secretary and any other individual may attend for all or part of the meetings of

the Committee at the request of the Chair of the Committee as and when considered appropriate by the Committee

1.3 The Board shall determine the period for which the Chair of the Committee shall hold office. In the absence of the Committee Chair and/or deputy nominated by him/her, another Non-executive Director shall chair the meeting.

1.4 If a Non-executive Director is unable to act due to absence, illness or any other cause, the Chair of the Committee may appoint another Non-executive Director of the Company to serve as an alternate member on a short term basis.

2. Secretary

2.1 The Group General Counsel and Company Secretary or his/her nominee shall act as the Secretary of the Committee.

3. Quorum and Voting

3.1 The quorum necessary for the transaction of business shall be 2, of whom at least 1 must be a Non-executive Director. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

3.2 If any conflicts of interest exist with a particular member of the Committee on any particular issue then such member of the Committee shall not participate or vote on the issue that gave rise to such conflict of interest.

4. Frequency of Meetings

4.1 The Committee shall meet four times a year to coincide with Meetings of the Board where possible, and at such other times as the Chair of the Committee or any of its members shall require.

5. Notice of Meetings

5.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of the Chair of the Committee or any of its members.

5.2 Unless otherwise agreed, Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall be forwarded or made available electronically to each member of the Committee and any other person required to attend no fewer than 4 working days prior to the date of the meeting.

6. Minutes of Meetings

- 6.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 The Secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, following approval of the Chair of the Committee to other members of the Board.
- 6.4 The Chair of the Committee, or another member should the Chair be unavailable, shall report orally to the Board on meetings of the Committee.

7. Shareholder Engagement

The Chair of the Committee shall:

- 7.1 attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.
- 7.2 seek engagement with shareholders on significant matters related to this Committee's areas of responsibility, where necessary.

8. Duties

- 8.1 The Committee should carry out the duties below for the Group, making recommendations to the Boards or Finance Committees of subsidiary companies as appropriate.
- 8.2 The Committee will cover the following activities:
 - Treasury, including:
 - Financing
 - Credit ratings
 - Credit rating agencies
 - Financial investments and cash management
 - Financial counterparty risk
 - Interest rate risk
 - Inflation risk
 - Foreign exchange risk
 - Liquidity management
 - Guarantees, indemnities, and parent company support
 - Derivatives
 - Tax
 - Pensions and post-retirement healthcare plans
 - Insurance and insurable risk

- Commodities

- 8.3 The Committee will review and approve the risk appetite of the Group in relation to the financial risks arising from the areas within its scope having due regard to the overall risk appetite set by the Board.
- 8.4 The Committee will review and approve the strategy of the Group in relation to the financial risks arising from the areas within its scope, considering the instruments and tools that are available.
- 8.5 The Committee will set policy in relation to the areas within its scope.
- 8.6 The Committee will delegate appropriate authority to Executive management to execute the strategy within the approved policies.
- 8.7 The Committee will monitor the execution of the strategy, adherence to policy and the risk position.
- 8.8 The Committee will ensure that it maintains a current knowledge of the environment in which the Group operates.
- 8.9 The Committee should, on a regular basis but no less than annually, review its own performance, membership and Terms of Reference to ensure it is operating effectively. The Board should also review the Finance Committee's effectiveness annually.

9. Committee's Interface with Other Committees

The Committee shall interface with:

- 9.1 The Executive Committee when appropriate which shall receive relevant reports on business issues relevant to the Committee prior to these being considered by the Committee.
- 9.2 The Audit Committee in respect of risk management issues within the Committee's terms of reference and any other matters referred to the Committee by the Audit Committee.

10. Authority

- 10.1 Subject to any restrictions imposed by law, the Committee is authorised to seek any information it requires from any employee of the Company and its subsidiaries in order to perform its duties.
- 10.2 The Committee is authorised to call any member of staff to be present at a meeting of the Committee as and when required.
- 10.3 The Committee has the authority to access sufficient resources and professional advice, as is reasonable at the Company's expense, in order to

carry out its duties, including access to the Company Secretariat for assistance as required.

- 10.4 Members shall be provided with training as appropriate, both in the form of an induction programme for new members and on an ongoing basis for all members.

TERMS OF REFERENCE OF THE NOMINATIONS COMMITTEE

APPROVED APRIL 2020.

Reference to the “Committee” shall mean the Nominations Committee.
Reference to the “Board” shall mean the Board of Directors of the Company.
Reference to the “Group” shall mean the Company and its subsidiaries

1. Membership

- 1.1 The Committee shall be appointed by the Board and shall comprise the Chair of the Board and all Non-executive Directors of the Board.
- 1.2 A majority of the members of the Committee shall be independent Non-executive Directors, as determined by the Board after considering UK and US regulations and best practice.
- 1.3 The Board shall appoint the Chair of the Committee who shall be the Chair of the Board, except where the position of Chair of the Board is being considered. In the absence of the Chair of the Committee and/or an appointed deputy, the remaining members present shall elect 1 of their number to chair the meeting.
- 1.4 Additional attendees including external advisors may attend meetings of the Committee, as and when considered appropriate by the Committee.

2. Secretary

- 2.1 The Group General Counsel & Company Secretary or his or her nominee shall act as the Secretary of the Committee.

3. Quorum and Voting

- 3.1 The quorum necessary for the transaction of business shall be 4. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested or exercisable by the Committee.
- 3.2 If any conflicts of interest exist with a particular member of the Committee on any particular issue then such member of the Committee shall not participate or vote on the issue that gave rise to such conflict of interest.

4. Meetings

- 4.1 The Committee shall meet as required, to coincide with Board meetings of the Company, or at such other times as the Chair of the Committee or any of its members shall require.

5. Notice of Meetings

- 5.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of the Chair of the Committee or any of its members.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and any supporting papers, shall be circulated or made available electronically to each member of the Committee, and any other person required to attend, no fewer than 4 working days prior to the date of the meeting, or otherwise as agreed between the Chair of the Committee and the Secretary, to enable proper consideration of the relevant issues.

6. Minutes of Meetings

- 6.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 The Secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee. Minutes are not circulated to the Board because of the sensitive nature of the subject matter; however, if appropriate, the Board is kept advised by way of a detailed oral report from the Chair of the Committee after each meeting.

7. Shareholder Engagement

- 7.1 The Chair of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.
- 7.2 The Chair of the Committee will seek engagement with shareholders on significant matters related to this Committee's areas of responsibility, where necessary.

8. Duties:

8.1 Board Composition and performance

The Committee shall:

- 8.1.1 regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- 8.1.2 review on a regular basis, but no less than annually, its own performance, constitution and terms of reference to ensure it is operating at maximum

effectiveness (the Board should also review the Committee's effectiveness annually);

- 8.1.3 in association with the Chair of the Board, regularly review the performance of the Board as a whole and report to the Board as is necessary;
- 8.1.4 review annually the time required to be committed from Non-executive Directors;
- 8.1.5 consider a proposed schedule of other significant commitments of the Chair of the Board which should be disclosed to the Board before appointment and any changes in commitments should be reported to the Board as they arise. This information should also be disclosed in the next annual report; and
- 8.1.6 be responsible for determining the principles of which outside directorships may be accepted by Executive Directors.

8.2 **Board and Senior Management Appointments**

The Committee shall make recommendations to the Board:

- 8.2.1 as regards membership of the Board and other committees of the Board as appropriate;
- 8.2.2 as regards the re-appointment of any Non-executive Director at the conclusion of his or her specified term of office, having due regard to their performance and ability to continue to contribute to the Board in the light of the age, gender, educational and professional backgrounds, skills, knowledge, experience and diversity required;
- 8.2.3 concerning the re-election by shareholders of any Director under the annual re-election provisions of the UK Corporate Governance Code or under the 'retirement by rotation' provisions in the Company's Articles of Association and in accordance with relevant legislation and, where applicable, best practice, having due regard to their performance and ability to continue to contribute to the Board in the light of the age, gender, education and professional backgrounds, skills, knowledge, experience and diversity required and the need for progressive refreshing of the Board;
- 8.2.4 concerning any matters relating to the continuation in office as a director of any Director at any time;
- 8.2.5 concerning the appointment of any Director, including the Chairman; and
- 8.2.6 relating to the Audit Committee having at least 1 member with recent and relevant financial experience and that the Audit Committee as a whole has competence relevant to the sector in which the Company operates, having regard to relevant legal and best practice requirements.

Whilst the Committee is dealing with the appointment of the Chairman's successor, the Senior Independent Non-executive Director will Chair the meeting.

8.3 Nominations and Succession Planning

In identifying suitable candidates the Committee shall:

- 8.3.1 be responsible (where vacancies arise) for identifying and nominating for the approval of the Board, candidates to serve as Directors of the Company, and also in respect of the position of Group General Counsel & Company Secretary, and Non-Board members of the Executive Committee;
- 8.3.2 establish the criteria (description of role and capabilities required) for any new position in the light of an evaluation of the balance of skills, knowledge, experience and diversity (including gender and thinking styles) on the Board;
- 8.3.3 use open advertising or the services of external advisers to facilitate the search (wherever practicable);
- 8.3.4 consider candidates from a wide range of backgrounds; consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the board, including gender and thinking styles and educational and professional backgrounds, ensuring the appointees have enough time available to devote to that position;
- 8.3.5 be responsible for ensuring that on appointment to the Board, Non-executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings; and
- 8.3.6 oversee the development of a diverse pipeline for succession and keep under review the leadership and succession needs of the Company with a view to ensuring the continued ability to compete effectively in the Company's market place, taking into account the challenges and opportunities facing the Company and make recommendations to the Board accordingly.

8.4 Reporting Procedures

- 8.4.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities
- 8.4.2 The Committee shall provide a report on the work of the Nomination Committee in discharging its duties and responsibilities during the year for inclusion in the Company's Annual Report and Accounts. The report should include:
 - 8.4.2.1 a description of the Committee's process used in relation to appointments and its approach to succession planning and how both support developing a diverse pipeline;
 - 8.4.2.2 a description of the policy on diversity and inclusion, including gender; its objectives and linkage to Group strategy; and any measurable objectives it has set for implementing the policy and the progress on achieving the objectives;
 - 8.4.2.3 a description of the gender balance of those in senior management and their direct reports;

- 8.4.2.4 identification of any external search agency used by the Company, alongside a statement of whether it has any connection with the Company or individual directors; and
- 8.4.2.5 if external advertising or search consultancy advice has not been used, the reasons for this; and
- 8.4.2.6 how the Board evaluation has been conducted, the nature and extent of an external evaluator's contact with the Board and individual Directors, the outcomes and actions taken, including how any actions have or will influence Board composition and succession planning.

9. Committee Interface with Other Committees

The Committee shall interface with:

- 9.1 the Executive Committee via the Chief Executive who shall keep the Committee advised with respect to leadership and succession issues in the Company, including any risks relating to retaining key personnel; and
- 9.2 the Remuneration Committee with respect to the pay and conditions upon appointment of Directors and direct reports to the Chief Executive recruited on the recommendation of the Committee.

10. Authority

- 10.1 Subject to any restrictions imposed by law, the Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties and all employees are directed to cooperate with any request made by the Committee.
- 10.2 The Committee is authorised to call any employee to be present at a meeting of the Committee as and when required.
- 10.3 The Committee shall not be entitled to sub-delegate all or any of the powers and authority delegated to it.

11. Resources and training

- 11.1 Members of the Committee shall have access to sufficient resources, including access to the Group General Counsel & Company Secretary and Company Secretariat, as required.
- 11.2 The Committee is also authorised to obtain, at the Company's expense and in liaison with the Group General Counsel & Company Secretary and/or the Chief Human Resources Officer as appropriate, outside legal or other professional resources and advice including recruitment consultants on any matters within its terms of reference. If a decision is made to engage such advisers or consultants, the Committee shall have the sole authority to retain and terminate them, and to approve their fees and retention terms.
- 11.3 Members of the Committee shall be provided with training as appropriate both in the form of an induction programme for new members and on an ongoing basis for all members.

TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE

APPROVED APRIL 2020.

Reference to the “Company” shall mean National Grid plc.
Reference to the “Committee” shall mean the Remuneration Committee.
Reference to the “Board” shall mean the Board of Directors of the Company.
Reference to the “Group” shall mean the Company and its subsidiaries.
Reference to the “Code” shall mean the UK Corporate Governance Code.

1. Membership

- 1.1 The Committee shall be appointed by the Board on the recommendation of the Nominations Committee and shall comprise at least 4 members, who shall be independent Non-executive directors in accordance with UK and US regulations and best practice. A member of the Audit Committee shall be a member of the Committee.
- 1.2 The Board on the recommendation of the Nominations Committee shall appoint the Chair of the Committee who shall have served on a remuneration committee for at least 12 months prior to the appointment as Chair. The Chair of the Board shall not be the Chair of the Committee.
- 1.3 The Board shall determine the period for which the Chair and the other Committee members shall hold office.
- 1.4 If a regular member is unable to act due to absence, illness or any other cause, the Chair of the Committee may appoint another independent Non-executive Director of the Company as approved by the Nominations Committee to serve as an alternate member on a short term basis.
- 1.5 In the absence of the Chair of the Committee and an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board.
- 1.6 The Chair of the Board, Chief Executive, Group General Counsel & Company Secretary, Chief Human Resources Officer, Global Head of Reward and any other individual may attend for all or part of the meetings of the Committee at the request of the Chair of the Committee as and when considered appropriate by the Committee.

2. Secretary

- 2.1 The Group General Counsel & Company Secretary or his or her nominee shall act as the Secretary of the Committee.

3. Quorum and Voting

- 3.1 The quorum necessary for the transaction of business shall be two members of the Committee. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested or exercisable by the Committee.
- 3.2 If any conflicts of interest exist with a particular member of the Committee on any particular issue then such member of the Committee shall not participate or vote on the issue that gave rise to such conflict of interest.

4. Meetings

- 4.1 The Committee shall meet at least three times a year or as required.

5. Notice of Meetings

- 5.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of the Chair of the Committee or any of its members.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be circulated, or made available electronically, to each member of the Committee and any other person required to attend no fewer than four working days prior to the date of the meeting, or otherwise as agreed between the Chair of the Committee and the Secretary, to enable proper consideration of the relevant issues.

6. Minutes of Meetings

- 6.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and others in attendance.
- 6.2 The Secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, following approval of the Committee Chair, to other members of the Board, and as appropriate, to attendees.
- 6.4 The Chair of the Committee or, in his or her absence, another member of the Committee shall, as appropriate, keep the Board advised of matters resolved, recommended and/or reviewed by the Committee.

7. Shareholder Engagement

The Chair of the Committee shall:

- 7.1 attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities and engage as required with the Company's major

shareholders and report to the Committee and the Board on shareholder views and voting policies on remuneration matters;

- 7.2 review and note following the Annual General Meeting (and at any other relevant time) the views given by shareholders and the results of the shareholder votes on executive pay. Agree how the views of shareholders will be taken into account in determining executive remuneration;
- 7.3 ensure that the Committee meets all other disclosure information requirements in accordance with regulations and with the Code; and
- 7.4 seek engagement with shareholders, as necessary on significant matters related to this Committee's areas of responsibility, where necessary.

8. Duties

The Committee shall:

- 8.1 determine and recommend to the Board the framework or broad policy and setting of the remuneration of the Chair of the Board, Chief Executive, other Executive Directors (the 'Board Directors'), Group General Counsel & Company Secretary and other members of the executive management reporting directly to the Chief Executive, but not for the Non-executive Directors. The remuneration of Non-executive Directors shall be a matter for the Executive Directors of the Board with the guidance of the Chair of the Board, after taking appropriate external advice. No individual shall be involved in any decisions as to his or her own remuneration;
- 8.2 in determining such policy, consider the business strategy of the Group and how remuneration policy reflects and supports the business strategy and take into account all other factors which it deems necessary including the Company's risk appetite, policies and systems and the views of shareholders and other external stakeholders such as the Investment Association and proxy voting agencies. When setting the Remuneration Policy for the executive management, the Committee should review and note workforce remuneration and related policies and the alignment of incentives and awards with culture and take into account employee engagement feedback. The objective of such policy shall be to ensure members of the Company's executive management are provided with remuneration that promotes the long-term sustainable success of the company, reflects and supports the business strategy, company purpose and values of the Group as well as appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company, without paying more than is necessary;
- 8.3 incorporate provisions within remuneration schemes to ensure there is adequate provision for the withholding and recovery of awards to protect against reward for failure and recommend to the Board for approval;
- 8.4 in respect of the Board Directors, determine a "remuneration policy" which shall be subject to a binding shareholder vote obtained in a General Meeting and with which all future Board Directors' remuneration shall be consistent. Any changes to the overall policy, or exceptions to it, must be approved by shareholders;

- 8.5 liaise with the Nominations Committee to ensure the remuneration of newly appointed executives is within the Company's overall policy. If any part of the remuneration proposed for a newly appointed Board Director is outside the policy then an amendment to the approved remuneration policy must be approved by a binding shareholder vote.
- 8.6 review periodically (but at least every three years) the overall appropriateness and relevance of the Company's remuneration policy;
- 8.7 determine the policy for and scope of pension arrangements (taking into consideration the wider workforce), service agreements, termination payments and compensation commitments for the individuals set out in 8.1 mindful that a significant proportion of the remuneration package for the Board Directors should be linked to individual and Company performance, focussed on long-term delivery;
- 8.8 within the terms of the approved policy, and having regard to the pay and conditions of all employees of the Group, determine for the Board Directors and other individuals set out in 8.1 within the remit of the Committee:
- measures and targets for any performance related pay schemes operated by the Company (asking the Board, when appropriate, to seek shareholder approval for any long term incentive arrangements) ensuring such measures and targets are transparent, stretching and rigorously applied; and
 - the total individual remuneration package of each individual including, where appropriate, bonuses, incentive awards and payments and share options.
- 8.9 ensure that contractual terms on termination, and any payments made, are within the terms of the approved policy, fair to the individual, the Company and shareholders, that failure is not rewarded and that the duty to mitigate loss is fully recognised and to the extent they are Board Directors, take into account the requirement for a binding vote to be obtained in General Meeting for any termination payments (comprising base pay, pension, benefits, bonus and long-term incentive) in excess of 12 months' salary;
- 8.10 in determining such packages and arrangements, give due regard to the principles and provisions of the Code, the UK Listing Authority's Listing Rules and associated guidance and including to the extent deemed appropriate, the rules of the New York Stock Exchange and any other exchange on which the Company's equity securities are listed;
- 8.11 review the design and implementation of all share incentive plans for approval by the Board, the corresponding vesting and additional holding periods (both during and post-employment), including unvested shares, and the minimum shareholding requirement of any of the Executive Directors;
- 8.12 determine each year whether awards will be made under the Company's share incentive plans, indicate where appropriate the overall amount of such awards, determine the individual awards to Board Directors and other individuals within the

- remit of the Committee set out in 8.1 above and the performance targets to be used and to what extent, if at all, clawback and malus will be invoked, and for Board Directors, take into account the requirement for any determinations not falling within the existing shareholder approved policy, to be subject to shareholder approval;
- 8.13 determine and review at least annually the most appropriate way to assess business performance and the linkage between executive remuneration and achievement of the Group's corporate strategy and objectives, and carry-out an assessment of the linkage ensuring that it can be clearly understood by shareholders;
 - 8.14 review and note annually the remuneration trends across the Group and have oversight of and be informed of any major changes to employee pay and benefit structures including bonuses and performance related plans in the Company and any of its subsidiaries to ensure alignment throughout the Company;
 - 8.15 review annually a summary of the Committee's consultants' fees for the year, scope of the work carried out and the consultants' policy and procedures on removing any potential conflicts of interest to ensure it is comfortable with them. The consultants shall seek the approval of the Chair of the Committee to tender for or undertake any new work for the Company and such approvals shall be reported to the Committee;
 - 8.16 obtain reliable, up-to-date information about remuneration policies and practices in other companies in its peer group and industrial sector of comparable scale and complexity and commission reports or surveys when it considers them necessary;
 - 8.17 review and authorise the reimbursement of any claims for expenses from the Chair provided that the Committee may delegate this to the Chief Financial Officer;
 - 8.18 authorise for those individuals set out in 8.1 who are eligible their participation in employee share plans from time to time operating in the Company;
 - 8.19 in the case of authorising subsidiary companies to participate in existing all employee share plans, delegate authority to the Group General Counsel & Company Secretary and the relevant Executive Director;
 - 8.20 make recommendations to the Board with respect to the establishment of, and changes to, the rules of employee equity participation arrangements and administer these arrangements where their rules specify the involvement of the Committee or any other Committee of the Board, unless the Board decides otherwise;
 - 8.21 review on a regular basis but no less than annually its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and make recommendations to the Board where improvement or action is needed (the Board should also review the Remuneration Committee's effectiveness annually); and
 - 8.22 In carrying out its duties, the Remuneration Committee shall have regard to the Principles and Provisions set out in the Code.

9. Committee Interface with Other Committees

The Committee shall interface with:

- 9.1 the Nominations Committee with respect to the pay and conditions upon appointment of Directors and direct reports to the Chief Executive recruited on the recommendation of the Nominations Committee;
- 9.2 the Share Schemes Sub-Committee with respect to the matters delegated to it, as required; and
- 9.3 via a member of the Audit Committee being a member of the Committee, the Committee shall receive knowledgeable input on setting financial measures and assessing outturns including adjustments and judgements considered by the Audit Committee.

10. Authority

- 10.1 Subject to any restrictions imposed by law, the Committee is authorised by the Board to seek any information it requires from any employee of the Company and its subsidiaries in order to perform its duties and all employees are directed to cooperate with any request made by the Committee.
- 10.2 The Committee is authorised by the Board to call any Director or employee to be present at a meeting of the Committee as and when required.
- 10.3 The Committee is authorised by the Board to access sufficient resources and professional advice, as is reasonable at the Company's expense, in order to carry out its duties, including access to the Company Secretariat team for assistance as required.
- 10.4 Members shall be provided with training as appropriate, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 10.5 The Committee shall have the authority to establish the Share Schemes Sub-Committee comprising any two Directors and either the Chief Human Resources Officer or the Group General Counsel & Company Secretary and to delegate to it all the powers, authorities and discretions given to the Committee in relation to the operation and/or administration of the employee equity participation arrangements to that Sub-Committee (and for further sub-delegation where appropriate) save in respect of any matters relating to those individuals set out in 8.1 (other than giving effect to decisions made by the Committee) or any other matters specifically reserved by the Committee.
- 10.6 Save as expressly provided herein, the Committee shall not be entitled to sub-delegate all or any of the powers and authorities delegated to it.

11. Remuneration consultants and other advisers

- 11.1 Pursuant to 10.3 above, the Committee may appoint and obtain advice from independent remuneration consultants (who should be a member of the Remuneration Consultants' Group), to secure the attendance of external advisers at its meetings if it considers this necessary, and to obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations. If a decision is made to engage such advisers or consultants, the Committee shall have the sole authority to retain and terminate them, and to approve their fees and other retention terms. It must satisfy itself and be able to demonstrate the advice received is independent and objective and confirm to the Board that it has done so.
- 11.2 The Committee should review annually the performance of its external consultants and advisers.

12. Reporting responsibilities

The Committee shall:

- 12.1 ensure all statutory and regulatory provisions regarding disclosure of remuneration, including pensions, (as listed in The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, The Companies (Miscellaneous Reporting) Regulations 2018, The Companies (Directors Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and the Companies Act 2006), are fulfilled; and
- 12.2 produce an annual report of the Company's executive remuneration that comprises three sections: an introductory statement by the Chair of the Committee, a section on policy for the future and a separate section on how policy has been implemented in the preceding year and to ensure it contains all such matters as may be required by law, regulation and best practice and includes all matters as set out in the Code. To ensure the section on future policy is put to a binding shareholder vote (at least every three years) and the section on the preceding year to an advisory shareholder vote every year at the Annual General Meeting.

TERMS OF REFERENCE OF THE SAFETY, ENVIRONMENT AND HEALTH COMMITTEE

APPROVED JANUARY 2020.

Reference to the “Company” shall mean National Grid plc.

Reference to the “Committee” shall mean the Safety, Environment and Health. Committee

Reference to the “Board” shall mean the Board of Directors of the Company.

Reference to the “Group” shall mean the Company and its subsidiaries.

1. Purpose

- 1.1 The Safety, Environment and Health Committee assists the Board in fulfilling its oversight responsibilities in respect of reviewing the strategies, policies, initiatives, risk exposure, targets and performance of the Company and, where appropriate, of its suppliers and contractors in relation to safety, environment and health.

2. Membership

- 2.1 The Committee shall be appointed by the Board on the recommendation of the Nominations Committee in consultation with the Chair of the Committee and shall comprise a minimum of 3 members, of whom at least 2 shall be Non-executive Directors.
- 2.2 The Board shall appoint the Chair of the Committee who shall be a Non-executive Director. In the absence of the Chair of the Committee and any appointed deputy, the remaining members present shall elect a Non-executive Director member present to chair the meeting.
- 2.3 The Chief Executive, the Group General Counsel & Company Secretary, the Group SHE Director, the US SVP Safety, Health & Environment and the UK Head of Safety, Health and Sustainability may be invited to attend meetings of the Committee and would normally do so. The Director of Corporate Audit may also be invited to attend meetings as necessary and as agreed with the Chief Executive and Chairman.
- 2.4 The Executive Directors are invited to attend at any time. Other Directors, employees or external advisers may be invited to attend with the agreement of the Chief Executive and the Chair of the Committee when considered appropriate by the Committee and in respect of the items that are relevant to them. If a regular member is unable to act due to absence, illness or any other cause, the Chair of the Committee may appoint another Non-executive Director of the Company to serve as an alternate member on a short-term basis.

3. Secretary

- 3.1 The Group General Counsel & Company Secretary or his or her nominee shall act as the Secretary of the Committee.

4. Quorum and voting

- 4.1 The quorum necessary for the transaction of business shall be 2 members of the Committee, at least 1 being a Non-executive Director. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 4.2 If any conflicts of interest exist with a particular member of the Committee on any particular issue, then such member of the Committee shall not participate or vote on the issue that gave rise to such conflict of interest.

5. Meetings

- 5.1 The Committee shall meet at least 4 times a year to coincide as appropriate, with the Board meetings of the Company and at such other times as the Chair of the Committee or any of its members shall require.

6. Notice of Meetings

- 6.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of the Chair of the Committee or any of its members.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and any supporting papers, shall be circulated or made available electronically to each member of the Committee, and any other person required to attend, no fewer than 4 working days prior to the date of the meeting, or otherwise as agreed between the Chair of the Committee and the Secretary, to enable proper consideration of the relevant issues.

7. Minutes of Meetings

- 7.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2 The Secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 7.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, following the approval of the Chair of the Committee, to other members of the Board, the Company Secretary & General Counsel, and as appropriate, to attendees.

8. Shareholder Engagement

- 8.1 The Chair of the Committee shall attend the Annual General Meeting and General Meetings prepared to respond to any shareholder questions on the Committee's activities.
- 8.2 The Chair of the Committee will seek engagement with shareholders on significant matters related to this Committee's area of responsibility, where necessary.

9. Duties

General

- 9.1 The Committee should carry out the duties below for the Company, subsidiary undertakings and the group as a whole, as appropriate.
- 9.2 The duties of the Committee are, in relation to the areas of safety, environment and health, as more particularly detailed in Sections 9.3 to 9.11 below, to:
- review proactively the strategies, policies, initiatives, risk exposure, targets and performance of the Company, and where appropriate of its suppliers and contractors;
 - monitor the resources applied by the Company to ensure compliance;
 - drive improvement;
 - monitor the demonstration of management commitment to these areas; and
 - where this is appropriate and the Committee considers it likely to add value, receive reviews and reports from independent external advisers.

Safety

- 9.3 The Committee's duties with regard to safety shall encompass occupational, public and process safety and shall include:
- receiving and reviewing regular UK and US business reports on performance and key issues relating to safety;
 - regular reviews of key issues relating to high potential incidents;
 - in the event of any fatalities occurring in connection with or as a result of the Company's business operations, the Committee shall be kept informed of the circumstances of the incident and measures being taken in the wake of the incident;
 - at least once a year, a review of the Key Performance Indicators and other reporting measures being adopted by the Company in relation to safety.
 - in the event of any proposed diminution of Group safety rules and standards applied by the Company, the Committee shall be required to consider and approve such diminution; and
 - reviewing, as necessary, any key issues related to safety identified through the year by the Committee.

Environment

- 9.4 The Committee's duties with regard to the environment shall encompass the impact of the Company's operations on the environment, and how the Company adapts its business in the light of climate change and shall include:
- consideration of a report on the Company's environmental performance, including an update on progress against the reduction of carbon emissions target;
 - at least once a year, a review of the Company's environmental strategy; and
 - reviewing, as necessary, any key issues related to environment identified through the year by the Committee.

Health

- 9.5 The Committee's duties with regard to health shall encompass the impact of the Company's operations on employees, communities and other stakeholders with whom it interfaces and shall include:
- at least once a year, a review of the Company's performance with regard to occupational health and employee wellbeing; and
 - reviewing, as necessary, any key issues or topics identified throughout the year by the Committee.

Risk

- 9.6 The Committee shall, with regard to risks faced by the Company relating to safety, environment and health at least twice a year, receive a report on the key risks which the Company faces.

Compliance

- 9.7 The Committee shall with regard to compliance by the Company with safety, environment and health requirements:
- at least twice a year, receive a report on the key compliance issues faced by the Company;
 - receive, as necessary, a report on forthcoming legislation and other requirements relating to safety, environmental and health matters likely to affect the Company and consider how the Company will comply with such legislation and other requirements; and
 - at least once a year, receive a report from the Company's Engineering Assurance committee, established by the Company's Executive Committee, on the Company's Engineering Framework in relation to the work undertaken by this group in driving consistency across the Company's engineering principles.

Chair of the Committee

- 9.8 The Chair of the Committee or, in his or her absence, another member of the Committee shall:
- after the Chief Executive, be notified of any fatalities occurring in connection with or as a result of the Company's operations;
 - be informed by the Chief Executive as to who is investigating any fatalities or serious incidents occurring in connection with or as a result of the Company's operations and endorse any such appointment;
 - report orally to the Board on meetings of the Committee. All fatal incidents, potential criminal prosecutions, potentially serious near misses and any other matters of appropriate significance will be reported to the first available Board meeting, with details of follow-up action; and as envisaged in Section 10 below, advise the Audit Committee of safety, environment and health risk and compliance matters which the Committee has considered.

Safety, Environment and Health audits

- 9.9 The Committee shall, in relation to safety, environment and health audits:
- at least twice a year, receive a report on the audits carried out across the Company; and
 - at least once a year, receive an update on the audits planned for the forthcoming year.

Annual Report and Accounts

- 9.10 At the end of each financial year, the Committee shall consider a report on the proposed contents of the Annual Report and Accounts relating to safety, environment and health.

Committee performance and terms of reference

- 9.11 The Committee shall, on a regular basis but no less than annually, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness. The Board should also review the Committee's effectiveness annually.

10. Site Visits, Training and Meetings with Employees

- 10.1 Members of the Committee should, where reasonably practicable, plan to attend at least 2 site visits a year. Such visits include site visits undertaken in the context of the Board programme of site visits.
- 10.2 The Committee shall consider, on a regular basis, whether training, meetings with Company employees and Committee site visits to the Company's facilities in the UK and the US should also be organised for the purpose of furthering the members' understanding of safety, environment and health issues within the Company and observing business operations. Any site visits thus organised may also, where appropriate, be to locations where incidents have occurred, to assist the members' understanding of the relevant issues.

11. Committee Interface with Other Committees

- 11.1 The Committee will advise the Audit Committee on safety, environmental and health risks which it has considered.
- 11.2 The Executive Committee shall review all matters relevant to the business of the Company that are within the remit of the Committee as it considers appropriate prior to these matters being reviewed by the Committee.

12. Authority

- 12.1 Subject to any restrictions imposed by law, the Committee is authorised to seek any information it requires from any employee of the Company and its subsidiaries in order to perform its duties and all employees are directed to cooperate with any request made by the Committee

- 12.2 The Committee shall be entitled to call any employee to be present at a meeting of the Committee as and when required.
- 12.3 The Committee is authorised by the Board to access sufficient resources and professional advice, as is reasonable at the Company's expense, in order to carry out its duties, including access to the Company Secretariat for assistance as required.
- 12.4 Members shall be provided with training as appropriate, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 12.5 The Committee shall be entitled to sub-delegate all or any of the powers and authorities delegated to it as it sees fit.

RESPONSIBILITIES OF CHAIRMAN, CHIEF EXECUTIVE AND SENIOR INDEPENDENT DIRECTOR

APPROVED JANUARY 2020

All Directors must act in what they consider to be the best interests of the Company, consistent with their statutory duties under the Companies Act 2006, sections 170 to 177. In addition to these statutory duties, below are the main responsibilities of the Chairman, CEO and Senior Independent Director. The role and duties can also be found in each of the respective appointment letters.

CHAIRMAN

Role: Managing and leading the Board

Main responsibilities

1. Board

- 1.1 To lead and chair the Board and ensure its effectiveness on all aspects of its role
- 1.2 To lead and chair general meetings and the Nominations Committee
- 1.3 To demonstrate objective judgement throughout their tenure and promote a culture of openness and debate
- 1.4 With the assistance of the Group General Counsel and Company Secretary, promote the highest standards of corporate governance
- 1.5 Regularly review the performance of the Board, its Committees and the Directors and act on the results and report to the Board, where appropriate
- 1.6 With support of the Chief Executive ensure effective implementation of Board decisions

2. Directors

- 2.1 Manage and review regularly the Board composition and succession planning
- 2.2 Regularly review training and development needs of the Directors and the Board as a whole
- 2.3 Facilitate the effective contribution of Non-executive Directors
- 2.4 Promote effective relationships and open communications
- 2.5 Encourage active engagement by all members of the Board
- 2.6 Ensure appropriate delegation of authority from the Board to the Executive Directors
- 2.7 Ensure constructive relations by acting as the bridge between Executive and Non-executive Directors
- 2.8 Advise and counsel the Chief Executive
- 2.9 Liaise with the Senior Independent Director
- 2.10 Hold regular meetings with the Non-executive Directors without the Executive Directors present
- 2.11 Ensure full, formal and tailored director induction plans

3. Meetings

- 3.1 Manage the Board to ensure enough time is allowed for discussion of complex or contentious issues
- 3.2 Ensure that Directors receive accurate, timely and clear information to enable the Board to make effective and well considered decisions
- 3.3 Set the Board agendas and ensure sufficient time is given to items as appropriate with a particular focus on forward looking and strategic issues

4. Relations with Shareholders

- 4.1 Be available for shareholders
- 4.2 Together with the Chief Executive ensure effective communications with shareholders
- 4.3 In addition to formal general meetings, maintain sufficient contact with major shareholders/institutional investors to understand their issues and concerns, in particular governance, strategy and remuneration
- 4.4 Ensure an adequate process for the views of shareholders is communicated to the Board as a whole to ensure all views are clearly understood
- 4.5 With the assistance of the Group General Counsel and Company Secretary, to ensure the Board understands the views of the Company's other key stakeholders and these views are considered in Board discussions and decision making

CHIEF EXECUTIVE

Role: Managing the Company and the Group's business

Main responsibilities

1. Company

- 1.1 Leadership of the Executive Committee and the senior executive team in the day to day running of the Group's business, including chairing the Executive Committee and communicating its decisions/recommendations to the Board
- 1.2 Formulate and implement corporate vision, strategy and business plans, including the identification of new business developments and acquisitions, for approval by the Board and execution of the agreed strategy
- 1.3 Accountable to the Board for developing the strategy objectives and business plans
- 1.4 Responsible to the Board for the operational performance of the business
- 1.5 Responsible for organisational structure and appointments, recommending changes as appropriate
- 1.6 Support the Chairman with ensuring effective implementation of Board decisions in respect of the business
- 1.7 Responsible for leading sector and commercial relationships
- 1.8 Responsible for oversight of regulatory interface
- 1.9 Corporate and internal communications
- 1.10 Support the Chairman to ensure appropriate standards of governance throughout the Company
- 1.11 Support the development of a strong and diverse talent pipeline to the Executive Committee and direct reports to the Executive Committee

2. Directors

- 2.1 Keep the Chairman promptly informed on all matters that may be of importance to the Board or of which the Board should be aware
- 2.2 Responsible for employee relations including acting as a bridge between the Board and the Company's employees

3. Relations with Shareholders

- 3.1 Be available for shareholders
- 3.2 Together with the Chairman deliver/manage effective communications with shareholders
- 3.3 Ensure the views of shareholders are communicated to the Board as a whole to ensure they have a clear understanding of all shareholder view

SENIOR INDEPENDENT DIRECTOR (SID)

Main responsibilities

The Senior Independent Director will:

- 1.1 be a Non-executive Director;
- 1.2 be independent, in accordance with the criteria set out in the UK Corporate Governance Code;
- 1.3 be available to shareholders if they have concerns, which contact through the normal channels of Chairman, Chief Executive or other Executive Directors, has failed to resolve or for which such contact is inappropriate;
- 1.4 be available to attend sufficient meetings with a range of major shareholders and financial analysts to listen to their views in order to help develop a balanced understanding of the issues and concerns of such shareholders;
- 1.5 chair the Nominations Committee when it is considering succession to the role of Chairman of the Board;
- 1.6 meet with the Non-executive Directors at least once a year to lead the appraisal of the Chairman's performance and on such other occasions as are deemed appropriate, taking into account the views of the Executive Directors; and
- 1.7 act as a sounding board for the Chairman and serve as an intermediary for the other Directors when necessary.

OUR STAKEHOLDERS – SECTION 172(1) STATEMENT

How we create value for our stakeholders

The long-term success of our business is critically dependent on the way we work with a large number of important stakeholders. We aim to create value for our stakeholders every day by maintaining levels of business conduct that are governed by our values. We continue doing so as the energy landscape changes.

How our Board keeps up to date with stakeholder interests Reporting and monitoring: Our Company-wide engagement collates information on stakeholder interests that informs business-level decisions, with an overview of developments being reported on a regular basis to the Board or a Board Committee. In some cases, this will be through an annual or more frequent round-up for the business area interfacing with the relevant stakeholder (this is generally the case for customers and suppliers).

Direct engagement: In other instances, one or more members of the Board may be involved directly in the engagement (such as shareholder or other investor networking). In each case, it is important for all members of the Board to gain sufficient understanding of the issues relating to every stakeholder, so their views are taken into account in Board discussions.

The table contained on pages 45-47 of the 2019/20 Annual Report and Accounts, which can be found here: <http://investors.nationalgrid.com/news-and-reports/reports>, sets out our focus on the key relationships and shows how the relevant stakeholder engagement is reported up to the Board or Board Committees to help inform decisions made by Directors.

We have provided some examples of how particular engagement outcomes were considered by the Board below, noting that these examples are not exhaustive in summarising all our stakeholder considerations. Within each example, when outlining how the Board considered the impact on a particular stakeholder group, we also list the broader range of stakeholders the Board considered as part of its discussions.

We considered the interests of our stakeholders in reviewing matters such as our liquidity and financial arrangements, our dividend, operational matters, for example resolving the gas supply issues in New York City and Long Island and developing our business plans.

You can also read more about how the Board showed regard for the interests of various stakeholder groups through a worked example of its response to the COVID-19 pandemic on page 65 of the 2019/20 Annual Report and Accounts.

This section, How we create value for our stakeholders, serves as our section 172 (1) statement.

National Grid plc
1-3 Strand,
London.
WC2N 5EH United Kingdom
Registered in England and Wales
No. 4031152

nationalgrid.com

nationalgrid