

Environment Policy

Objective

Our strategy is to be a recognised leader in the development and operation of safe, reliable and sustainable energy systems to meet the needs of our customers, and communities, and to generate value for our investors.

Investing in, and operating gas and electricity networks affects the environment and the communities we serve depends on how we and our supply chain operate. Our goal is to comply with regulations, reduce any impact that we may have, seek out opportunities to enhance the environment and embed sustainability in our decision making.

We will face these challenges by deploying best practice and innovation throughout our operations, by engaging on national and international energy issues and by supporting renewable energy targets. We will show leadership by working with our customers, regulators, suppliers and others to deliver a more sustainable future. We will use our environmental management system, together with innovation and working with key stakeholders, to continually improve our environmental performance.

Protection of the environment is a legal requirement in all areas of National Grid's operations as well as a significant component of our reputation as a responsible business. The services provided by National Grid can help to improve the environment and therefore provide an opportunity for our company to have a positive impact.

This policy provides the framework for managing the environmental aspects of National Grid's businesses. It helps to set goals for the continual improvement of the environmental management system to enhance environmental performance, and to embed sustainability. It is intended to help to focus the organisation on addressing the most important environmental issues and opportunities.

Scope

This policy applies to all businesses within National Grid. For Associate Companies, National Grid will promote the adoption of processes consistent with the commitments set out in this document.

The policy statement takes account of the wide range of environmental legislation under which all businesses and Associate Companies operate. It also takes account of the standards set under ISO 14001 for environmental management systems.

Policy framework

National Grid is committed to the protection and enhancement of the environment, always seeking new and innovative ways to lighten the environmental impact of our past, present and future activities. We recognise the value of sustainability and are committed to business practices which seek to preserve natural resources, bring benefits to our communities and benefit National Grid and our consumers.

We believe that everyone is responsible for good environmental performance and embedding sustainable business practices. In particular:

- The Board has overall responsibility for ensuring the establishment, implementation and maintenance of the environmental management system, setting objectives for our operations and ensuring that environmental and sustainability matters are integral to the way in which we operate our business.
- Management provides visible leadership that promotes good environmental performance, sustainable business practices and commits the appropriate resources to achieve our goals.
- We are all responsible for ensuring that our actions and behaviours prevent harm, seek to enhance the environment and drive sustainable business practices from our operations.

The following commitments provide a framework to help us to set goals to promote continual improvements in environmental performance, embedding sustainable business practices and enabling the delivery and maintenance of a culture that achieves the performance to which we aspire.

Our commitments

- We will ensure environmental sustainability is considered in our decision making and create a sustainable thinking culture.
- We will consider the whole value of environmental costs and benefits by the use of resources more efficiently through good design, use of sustainable materials, responsibly refurbishing existing assets, recovery and recycling.
- We will ensure that our operations that have an impact on natural habitats are conducted in a manner to protect biodiversity and seek ways to enhance the natural value of the area for the benefit of local communities and/or environment.
- We will reduce the impact of our business on global climate change targeting a decrease in our emissions of greenhouse gases by 45% by 2020 and 80% by 2050.
- We will look at ways to reduce the impact of climate change on our business by implementing mitigation and adaptation measures.

- We will openly report on our environmental and sustainability performance with employees, members of the public and other stakeholders.
- We will actively work to prevent pollution which may result from our activities, continually improve our environmental management system to protect the environment, reduce the risk of environmental incidents and satisfy our compliance obligations to which we subscribe.
- We will actively manage the risks associated with sites where we have responsibility for dealing with contamination associated with past operations.
- We will ensure that our employees have the training, skills, knowledge and resources necessary to meet our environmental commitments.
- We will work with governments and regulators to help them develop and deliver more effective environmental policies and targets.
- We will help consumers reduce their dependency on fossil fuels by providing them with access to more sustainable energy and through innovative energy efficiency programmes.
- We will require those working on behalf of National Grid to demonstrate at least the same level of commitment to the environment and enable the effective sharing of best practice.

Monitoring compliance

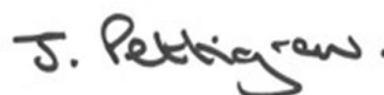
The Safety, Sustainability and Resilience Director will review the effectiveness of the Environment Policy on a two-yearly basis. Any changes needed to ensure it remains effective will be drawn to the attention of the Executive Board, and the Safety, Environment and Health committee.

Each business within National Grid will ensure that it has the necessary arrangements in place to monitor and report on its environmental and sustainability performance on an annual basis. Each Associate Company will be encouraged to put in place similar arrangements to enable performance to be reported on an annual basis.

Key contacts

This policy is owned and maintained by the Safety, Sustainability and Resilience Director, to whom questions regarding its content and application should be addressed.

The Corporate Affairs Director will be responsible for facilitating communication of this policy throughout the organisation.



April 2016