

Finance Committee: Terms of Reference

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, eg 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 Chairman of the Committee and shall comprise a Chairman (who shall be an independent Non-executive Director) and at least 3 other members being the Chief Executive, Finance Director and one independent Non-executive Director. The independence of the Chairman and Non-executive Director shall be as determined by the Board after considering UK and US regulations and best practice.
- 1.2 The Group Tax and Treasury Director and other executives of the Company may attend as required.
- 1.3 The Board shall determine the period for which the Chairman of the Committee shall hold office. In the absence of the Committee Chairman 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 Chairman 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 Chairman 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 Chairman 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 Chairman of the Board, to other members of the Board.
- 6.4 The Chairman of the Committee, or another member should the Chairman be unavailable, shall report orally to the Board on meetings of the Committee.

7. Annual General Meeting

- 7.1 The Chairman of the Committee shall attend the Annual General Meeting and be prepared to respond to shareholder questions on the Committee's activities.

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
 - Liquidity management
 - Foreign exchange risk
 - 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.

8 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.