

CONFIDENTIAL

**NATIONAL GRID plc
NOMINATIONS COMMITTEE
TERMS OF REFERENCE**

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

Reference to the “Committee” shall mean the Nominations 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 the Chairman 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 Chairman of the Committee who shall be the Chairman of the Board, except where the position of Chairman of the Board is being considered. In the absence of the Chairman of the Committee and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.
- 1.4 The Chief Executive and Group Human Resources Director and external advisors may attend meetings of the Committee, as and when considered appropriate by the Committee.

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 four. 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 Frequency of Meetings

- 4.1 The Committee shall meet as required, to coincide with Board meetings of the Company, or 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 and any supporting papers, shall be forwarded 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.

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 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 Chairman of the Committee after each meeting.

7 Annual General Meeting

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

8 Duties

- 8.1 The Committee shall:
- 8.1.1 review regularly the structure, size and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary;

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- 8.1.2 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 and Company Secretary, and Non-Board members of the Executive Committee ;
 - 8.1.3 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;
 - 8.1.4 keep under review the leadership needs of the Company with a view to ensuring the continued ability to compete effectively in the Company's marketplace, taking into account the challenges and opportunities facing the Company;
 - 8.1.5 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;
 - 8.1.6 review annually the time required from Non-executive Directors;
 - 8.1.7 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);
 - 8.1.8 in association with the Chairman of the Board, regularly review the performance of the Board as a whole and report to the Board as is necessary; and
 - 8.1.9 produce a report to be included in the Company's Annual Report and Accounts about its activities, the process used to make appointments and explain if external advice or open advertising has not been used.
- 8.2 In identifying suitable candidates the Committee shall:
- 8.2.1 use open advertising or the services of external advisers to facilitate the search (wherever practicable);
 - 8.2.2 consider candidates from a wide range of backgrounds;

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- 8.2.3 consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the board, including gender and thinking styles, ensuring that appointees have enough time available to devote to the position.
- 8.3 It shall also make recommendations to the Board:
 - 8.3.1 as regards plans for succession in respect of the Board;
 - 8.3.2 as regards membership of the Board and other committees of the Board as appropriate;
 - 8.3.3 as regards the re-appointment of any Non-executive Director at the conclusion of his or her specified term of office;
 - 8.3.4 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;
 - 8.3.5 concerning any matters relating to the continuation in office as a director of any Director at any time;
 - 8.3.6 concerning the appointment of any Director other than to the position of Chairman; and
 - 8.3.7 relating to the Audit Committee having at least one 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.
- 8.4 Recommendations for the appointment of the Chairman of the Board and Chief Executive would be considered at a meeting of all the Directors:
- 8.5 A proposed schedule of other significant commitments of the Chairman of the Board 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.
- 8.6 The Committee's report in the Company's Annual Report & Accounts will identify where an external search agency has been used and, where such agency has been used, whether it has any connection with the Company.

- 8.7 The Committee will also include in the report referred to in 8.6 above a statement on the Board's policy on diversity, including gender, and any measurable objectives it has set for implementing the policy and progress on achieving the objectives.
- 8.8 The Committee shall be responsible for determining the principles on which outside directorships may be accepted by Executive Directors.

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;
- 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.
- 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 Members of the Committee shall have access to sufficient resources, including access to the Group General Counsel and Company Secretary and Company Secretariat, as required.
- 10.4 The Committee is also authorised to obtain, at the Company's expense and in liaison with the Group General Counsel and Company Secretary and/or the Group Human Resources Director 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.
- 10.5 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.

10.6 The Committee shall not be entitled to sub-delegate all or any of the powers and authority delegated to it.