

NATIONAL GRID plc
SAFETY ENVIRONMENT AND HEALTH COMMITTEE
TERMS OF REFERENCE

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 full Board of Directors of the Company

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 minimum of three members, of whom at least two shall be Non-executive Directors.
- 1.2 The Chief Executive, the Group General Counsel and Company Secretary, the US VP Safety, Health & Environment and the Director of UK Safety, Sustainability and Resilience 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 twice a year and will agree with the Chief Executive which meetings to attend.
- 1.3 The Executive Directors are invited to attend at any time. Other members of the Company’s management may be invited to attend with the agreement of the Chief Executive and the Chairman of the Committee. Others such as external advisers shall be in attendance 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 Chairman of the Committee may appoint another Non-executive Director of the Company to serve as an alternate member on a short-term basis.
- 1.5 The Board shall appoint the Chairman of the Committee who shall be a Non-executive Director. In the absence of the Chairman of the Committee and any appointed deputy, the remaining members present shall elect a Non-executive Director member present to chair the meeting.

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

- 3.1 The quorum necessary for the transaction of business shall be two members of the Committee, at least one 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.
- 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 at least four times per annum to coincide with the Board meetings of the Company 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 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 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 Chairman of the Committee, to other members of the Board and the Company Secretary and General Counsel.

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

General

- 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 In the context of the requirement for companies to conduct their business in a responsible manner as well as to manage their non-financial risks, the duties of the Committee are, in relation to the areas of safety, environment and health, as more particularly detailed in Sections 8.3 to 8.11 below to:
- 8.2.1 review proactively the strategies, policies, initiatives, risk exposure, targets and performance of the Company, and where appropriate of its suppliers and contractors;
 - 8.2.2 monitor the resources applied by the Company to ensure compliance;
 - 8.2.3 drive improvement;
 - 8.2.4 monitor the demonstration of management commitment to these areas; and
 - 8.2.5 where this is appropriate and the Committee considers it likely to add value, receive reviews and reports from independent external advisers.

Safety:

- 8.3 The Committee's duties with regard to safety shall encompass occupational, public and process safety and shall include:
- 8.3.1 receiving and reviewing regular UK and US business reports on performance and key issues relating to safety;
 - 8.3.2 regular reviews of key issues relating to high potential incidents;
 - 8.3.3 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;
 - 8.3.4 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; and
 - 8.3.5 in the event of any proposed dilution of safety rules applied by the Company, the Committee shall be required to consider and approve such dilution.

Environment

- 8.4 The Committee's duties with regard to the environment shall encompass the impact of the Company's operations on the environment, including waste management, and how the Company adapts its business in the light of climate change and shall include:

- 8.4.1 at least twice a year, consideration of a report on the Company's environmental performance, including carbon emissions; and
- 8.4.2 at least once a year, a review of the Company's environmental strategy.

Health

- 8.5 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:
 - 8.5.1 at least once a year, a review of the Company's performance with regard to occupational health; and
 - 8.5.2 at least once a year, a review of developments relating to Electro Magnetic Fields (EMFs).

Risk

- 8.6 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

- 8.7 The Committee shall with regard to compliance by the Company with safety, environment and health requirements:
 - 8.7.1 at least twice a year, receive a report on the key compliance issues faced by the Company;
 - 8.7.2 at least once a year, receive 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
 - 8.7.3 at least twice 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.

Chairman of the Committee

- 8.8 The Chairman of the Committee or, in his or her absence, another member of the Committee shall:
 - 8.8.1 after the Chief Executive, be notified of any fatalities occurring in connection with or as a result of the Company's operations;
 - 8.8.2 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, where appropriate, endorse any such appointment;
 - 8.8.3 on a monthly basis, receive the safety, environment and health reports presented to the Executive Committee of the Board;
 - 8.8.4 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

8.8.5 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

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

Annual Report and Accounts

- 8.10 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

- 8.11 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.

9. Site Visits, Training and Meetings with Employees

- 9.1 Taking into account the geographical locations in which the members of the Committee are based, their availability and the particular experience and background knowledge of the members, site visits may be organised so as to encompass all or some only of the members. Members of the Committee should, where reasonably practicable, plan to attend at least two site visits a year. Such visits include site visits undertaken in the context of the Board programme of site visits.
- 9.2 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 by the Director of UK Safety, Sustainability and Resilience in the UK and the VP Safety, Health and Environment respectively, 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.

10. Committee Interface with Other Committees

- 10.1 The Committee will advise the Audit Committee on safety, environmental and health risks which it has considered.

10.2 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.

11. Authority

11.1 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.

11.2 The Committee shall be entitled to call any member of staff to be present at a meeting of the Committee as and when required.

11.3 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.

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 be entitled to sub-delegate all or any of the powers and authorities delegated to it as it sees fit.