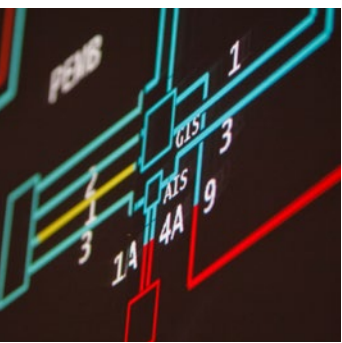


Modern slavery

Our statement on slavery and human trafficking 2018



An introduction to our business and values

This statement, which is made on behalf of the National Grid plc board, for the financial year ending March 2018, sets out what we are doing to assess and mitigate the risk of slavery and human trafficking in our business and our supply chain, and the progress we have made since our last statement.

We work with around 6,500 suppliers and spend over £4bn annually with them.

National Grid is one of the world's largest investor-owned utilities focused on transmission and distribution activities in electricity and gas in the UK and the US. We play a key role in connecting millions of people to the energy they use, safely, reliably and efficiently. For the year ending 31 March 2018, our annual group turnover was £15.25bn.

Our **Purpose**, 'Bring Energy to Life', combined with our vision and values, guide us to serve our customers and look after the communities in which we operate.

Our **Vision** is to exceed the expectation of our customers, shareholders and communities today and make possible the energy systems of tomorrow. We do this by making sure we are meeting our commitments in the right way and emphasising that how we work is as important as what we do.

Our **Values** of Do the right thing and Find a better way, guide what we believe and how we behave. We take pride in our reputation for working responsibly with our customers, colleagues and consumers. Respect for human rights is a core component of our everyday employment practices and values.

We recognise that modern slavery is a growing global concern. Within National Grid we are continuing to learn more about this complex issue and are committed to improving our practices to combat all forms of modern day slavery.

Our people

We employ a diverse workforce, consisting of 23,023 people globally, predominantly in the UK and the US. We uphold the highest standards in recruitment to ensure equal opportunities and compliance with all local legislation, ensuring that all our people have the appropriate rights to work. We continue to monitor this area very closely, but we believe that the very stringent policies and processes we have in place mean that the risk of forced or trafficked labour being employed directly by National Grid is very low.

Our supply chain

Our supply chain is complex. Across our global organisation we work with around 6,500 suppliers and we spend over £4bn with them. We recognise that our suppliers have their own supply chains too, so a lot of our focus is on making sure that our suppliers understand and meet our expectations for standards of ethical business, including assessing and mitigating the risk of modern slavery, and that they adopt these same standards through their own supply chains. Later on in this statement we set out how we do that through a clear policy framework and due diligence. We also set out how we prioritise our efforts by carrying out risk assessments. Here is some information about our supply chain.

Top 10 tier 1 countries of origin based on spend

Tier 1 country of origin	Number of suppliers	Percentage of spend
USA	3,489	58.77%
Great Britain	2,848	38.16%
Italy	6	0.73%
India	2	0.64%
Belgium	24	0.52%
South Korea	2	0.30%
Germany	22	0.17%
Canada	46	0.16%
Ireland	14	0.15%
Netherlands	22	0.12%

Primary categories of spend (approx 50%)

- Gas mains/pipe laying
- Civil works/construction
- Electricity substations
- Electricity overhead lines
- Fleet management
- Telecommunications/software support
- Consultancy.

Data reflects the period 1/1/17 – 31/12/17

Our policies

We expect all our employees, suppliers and contractors to act in accordance with the highest ethical standards and to comply with all relevant laws, regulations and licences when working for National Grid.

We pro-actively communicate our Supplier Code of Conduct to all of our suppliers annually.

We set out our expectations in policies which are available on the National Grid Website where appropriate.

Our **Code of Ethical Business Conduct** applies to all employees including Board members and sets out our values and the way we expect our employees to behave. During 2017 a dedicated section on human rights was introduced, referencing the principles set out in the United Nations Global Compact Guiding Principles, the Ethical Trading Initiative Base Code, the Modern Slavery Act and the Living Wage Foundation. It is very important that our people understand and follow the Code of Ethical Business Conduct so we train them through inductions as soon as they join the company and then remind them of our values and expectations each year through e-learning, face-to-face presentations, discussion groups and internal communications.

Our **Disciplinary Policy** and process sets out the steps that will be taken where employees deliberately break the rules set out in the Code of Ethical Business Conduct and ensures that any issues relating to unacceptable conduct are managed effectively.

Our values and expectations are also included in our **Supplier Code of Conduct** which sets out the standards we require from our suppliers and which they should extend into their own supply chain. Our Supplier Code of Conduct is reviewed annually and has recently been updated to incorporate our refreshed values and to strengthen the focus on human rights. During 2018 we will be enhancing contract assurance activities and will be seeking confirmation from suppliers that they are adhering to this Code. This Code is an integral part of our pre-qualification process and is referenced in our contract terms and conditions. We proactively communicate this Code to all of our suppliers annually.

Our **Employment Policies** and processes make sure that all our employees have the appropriate rights to work and are employed in accordance with local employment legislation. All employees are paid at least the living wage as set out by the Living Wage Foundation and we have enhanced terms and conditions in all of our new UK contracts requiring our suppliers to do the same.



Promoting an open culture and raising awareness

We provide targeted training to our employees and continually promote a 'speak up' culture. Our regional Ethics and Compliance Committees take an active role in overseeing ethical standards, including modern slavery.



24/7 global helplines

anyone can report
any concerns 24/7 via
telephone and email.

Speaking up

We strongly believe in openness and transparency and encourage our employees or those working on our behalf to raise any concerns through their manager or directly with our Ethics Team. We also have external confidential helplines available globally, that operate 24/7, and we publicise the contact information internally and on our external website, enabling anyone to report concerns anonymously should they prefer. We have policies in place to make it clear that we will support and protect "whistle blowers" and that we will not tolerate retaliation of any kind. We continually promote a 'speak up' culture within our business and in 2018 we will be focusing on ensuring that people working in our supply chains are also aware of the National Grid helplines that are available to them should they need to report a concern whilst working on our behalf. This is highlighted in our Supplier Code of Conduct and we will be creating further communications that detail all the relevant contact numbers and information for use on our sites and within our supply chains.

We take all allegations of any type of unethical or illegal behaviour very seriously and we have dedicated Ethics and Business Conduct Teams who are trained to deal with all issues sensitively and thoroughly. We carry out independent investigations and commit to assess any non-compliance issues and take action accordingly. The findings from all reports are reviewed at our regional Ethics and Compliance Committees, which are made up of senior leaders from within our organisation, whose role is to oversee the ethical standards of the company. We also provide summaries of all allegations and findings to our Group Executive and Audit Committees together with regular updates on all of our ethical programmes, including modern slavery.

Training and awareness

All employees receive training on our Code of Ethical Business Conduct, the key elements of which are incorporated into our Supplier Code of Conduct and provided to all of our suppliers. Both of these documents contain guidance on our standards for combating modern slavery.

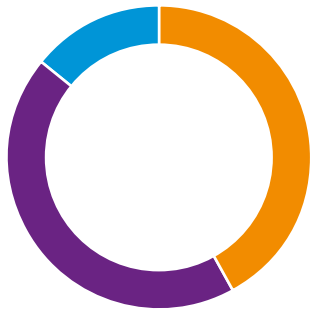
Training on our Code of Ethical Business Conduct is mandatory for all employees and is refreshed on a continual basis. We have a community of 'Ethics Champions' across the business who support our training and provide local communications, while also offering additional routes for discussing ethical issues.

We provide training for procurement and contract management professionals annually to refresh their knowledge and awareness on environmental sustainability and social and human rights issues, including modern slavery. During 2018 we are developing an engagement tool kit to support ongoing dialogue between our procurement and contract management professionals and our suppliers to raise awareness of human rights issues, identify risks and obtain evidence that risks are being managed effectively.

Due diligence – what we do to check and improve

We collaborate with our peers, supply chain and external organisations to review continually our approach to assessing and mitigating the risk of modern slavery in our own supply chains and across the industry.

Potential risk profile of top 250 suppliers based on desktop exercise



High Risk	14%	35
Medium Risk	44%	110
Low Risk	42%	105

For our top 250 suppliers, 14% have been identified as potentially high risk and these relate to the following categories:

- Construction/civil works
- Substations
- Facilities – catering/cleaning/security
- Maintenance, repair & operations/PPE (personal protective equipment) tools
- Travel management
- Office stationery

Supply chain due diligence

For the majority of our UK procurement activities, we pre-qualify our suppliers using a vendor registration system operated by Achilles called the Utilities Vendor Database (UVDB). The UVDB includes questions on slavery and human trafficking as part of the registration process and we are working closely with Achilles and other industry participants to enhance the pre-qualification questions relating to human rights. For certain high-risk categories, vendors are also required to take part in the Achilles Verify Process, which produces an evaluation rating and may result in further investigation. We continually review external media and use agency services to check for adverse reports, fines or sanctions against our direct suppliers and will act on anything that is highlighted via these processes.

We recognise that we are reliant on our suppliers to raise awareness of our human rights requirements within their own supply chains and we expect all suppliers to assess potential risks and be compliant with the Modern Slavery Act. The following initiatives are in place to support this:

- We have focused on collaborating with our suppliers and peers to understand what approaches they are taking to address the risks of modern slavery
- We are working with the Supply Chain Sustainability School (SCSS) to develop common messaging throughout the supply chain using the information and training materials available
- We host a bi-annual CEO contractor forum where our senior leaders engage with their peers on issues including modern slavery
- We attend external conferences to keep informed of best practice
- We have an internal Contract Management Community of Practice where we discuss best practice and deliver specific training and guidance on managing supplier risk assessment and action plans
- We have updated our contract Terms and Conditions to include specific modern slavery clauses
- We actively communicate our Supplier Code of Conduct and reserve the right to audit our suppliers to ensure compliance against our expectations.

Through the SCSS and Achilles we are promoting the need for a collaborative approach to supplier assessment and audit to share information and build best practice. We have found this forum to

be valuable in establishing useful contacts with our peers and some of our key suppliers, to ensure that our efforts are consistent, targeted and effective. We have also been working with Action Sustainability, part of the SCSS, to undertake a high-level gap analysis against the new sustainable procurement guidance standard ISO 20400.

National Grid is a signatory member of the UN Global Compact and we work in support of the United Nations Sustainable Development Goals, reporting annually on how we are adopting sustainable and socially responsible policies in the areas of human rights, labour, the environment and anti-corruption. During 2018 we will be participating in a modern slavery working group facilitated by the UN Global Compact UK Network.

Risk assessments

In 2017 we completed a desktop risk assessment of our top 250 suppliers (global top 250 suppliers to the National Grid plc group based on spend) using recommended risk criteria which assessed: country of origin of the goods/service, brand association, supply chain complexity, levels of sub-contracting and category of spend.

The chart on this page illustrates those categories identified as potentially high risk and the result by risk level. We are engaging with those suppliers that have been identified as potentially high risk and will be working with them to complete a range of assessment questions to better understand what controls they have in place and to develop risk mitigation plans for any identified issues.

If any issues or concerns are identified and the supplier is either unwilling or unable to make the required improvements, then we would start a formal contract review process which could result in terminating the contract and removing the supplier from our approved supplier listing.

We are developing a framework for our buyers so that the sustainability risk criteria, including modern slavery, can be embedded into the initial stages of the sourcing process and integrated into the selection criteria. Any risks identified will be reviewed through the contract management process.

Measuring our effectiveness

We use a range of measures to check our progress and make sure our programmes are effective.

We will be engaging with all 35 suppliers that have been identified as potentially high risk through our desktop risk assessment process.

We monitor any allegations reported to us through our internal and external helplines. As of 31 March 2018, there were no breaches of our Code of Ethical Business Conduct relating to slavery or human trafficking. We measure the effectiveness of our internal ethics programme through our Employee Engagement Survey by asking a series of questions, including how aware employees are of our procedures and how confident individuals feel about speaking up and that their concerns will be acted upon. Our survey results are good and continue to improve. Within our business our Ethics Champions use the survey results to develop action plans to improve on areas highlighted by the survey.

Across our business, suppliers and peers we are tracking the following performance indicators:

Measure	Number
Desktop risk assessments completed	250
Potential high-risk suppliers identified	35
Direct engagement with potential high-risk suppliers to date	5
Organisations with which we have directly engaged on best practice to date	6

We are promoting active membership of the SCSS with our suppliers, encouraging them to complete available training modules to build their sustainability awareness, including a specific module on modern slavery. Levels of training completed by our suppliers will be visible via the SCSS dashboard and we will also be using the training material available within our business to enhance knowledge and understanding.

Our ethics and compliance programmes track performance against our standards and legal requirements. These programmes include the monitoring of mandatory training for all our employee Code of Ethical Business Conduct. For our procurement professionals, we also have mandatory training on Supply Chain Corporate Social Responsibility (CSR).



What we have achieved and what we are focusing on next

We recognise that we need to review and continually improve how we address the potential risk of modern slavery in our organisation and supply chains and we continue to develop our approach.

The following is a summary of our key achievements in 2017 and our focus areas for the coming year.

2017 achievements

- Annual signatory to the UN Global Compact Guiding Principles
- Desktop risk assessment of top 250 suppliers (based on spend)
- Living wage terms and conditions included in all new UK contracts
- Modern slavery clauses incorporated into new contractual terms and conditions
- Code of Ethical Business Conduct and Supplier Code of Conduct updated with a stronger focus on human rights issues
- CEO contractor forum in place with our senior leaders
- Contract Management community of practice in place
- High-level gap analysis completed against the new sustainable procurement guidance standard ISO 20400.

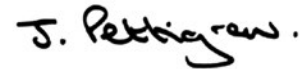
Focus areas for 2018

- Collaborate with industry groups including SCSS, Achilles and UN Global Compact UK Network
- Engage all suppliers who were identified as potentially high risk in our assessments
- Promote 'speak up' channels through our business and supply chains
- Develop tool kits for our Procurement and Contract Management professionals to assist with risk identification and mitigation plans
- Incorporate risk assessments into procurement sourcing activity and part of award criteria
- Further develop performance indicators
- Review our Whistle-blowing Policy and communicate internally and externally.

Our regional Ethics and Compliance Committees will assess our approach to modern slavery and provide updates to our Group Executive Committee and the Board on how we are doing. We continually review effectiveness of our programmes and will also be looking to further develop our performance measures.

We are proud of what we have achieved so far and the continued commitment we have to addressing modern slavery in our business and supply chain.

This statement was approved by the Board of Directors of National Grid plc on 18 April 2018 and is signed on behalf of the Board by;



John Pettigrew
Chief Executive

This statement is for the financial year ending March 2018 and is made according to the requirements of section 54 part 6 of the Modern Slavery Act 2015. National Grid plc is the parent company of the National Grid Group and this statement applies to all companies within the Group who are required to publish a statement, except where they have chosen to publish their own statement.

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