

# Notice of 2014 Annual General Meeting

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**The 2014 Annual General Meeting of National Grid plc (the 'Company') will be held at 11.30am on Monday 28 July 2014 at The ICC, Broad Street, Birmingham B1 2EA.**

**This document is important and requires your immediate attention.**

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from an independent professional advisor. If you have sold or otherwise transferred all your shares, please pass this document together with the accompanying documents to the person who arranged the sale or transfer so they can pass these to the person who now holds the shares.

# Resolutions

The Annual General Meeting ('AGM') will consider the following resolutions, which in the case of resolutions 23, 24 and 25 will be proposed as special resolutions with the remainder being proposed as ordinary resolutions.

1. To receive the Company's accounts for the year ended 31 March 2014, the Directors' Reports and the Auditors' Report on the accounts.
2. To declare a final dividend of 27.54 pence per ordinary share (US\$2.3107 per American Depositary Share) for the year ended 31 March 2014.
3. To re-elect Sir Peter Gershon as a Director.
4. To re-elect Steve Holliday as a Director.
5. To re-elect Andrew Bonfield as a Director.
6. To re-elect Tom King as a Director.
7. To elect John Pettigrew as a Director.
8. To re-elect Philip Aiken as a Director.
9. To re-elect Nora Mead Brownell as a Director.
10. To re-elect Jonathan Dawson as a Director.
11. To elect Therese Esperdy as a Director.
12. To re-elect Paul Golby as a Director.
13. To re-elect Ruth Kelly as a Director.
14. To re-elect Mark Williamson as a Director.
15. To reappoint PricewaterhouseCoopers LLP as the Company's auditors until the conclusion of the next general meeting at which accounts are laid before the Company.
16. To authorise the Directors to set the auditors' remuneration.
17. To approve the Directors' remuneration policy set out on pages 59 to 66 in the Annual Report and Accounts for the year ended 31 March 2014 (the 'Annual Report').
18. To approve the Directors' Remuneration Report, excluding the Directors' remuneration policy referred to in resolution 17, contained in the Annual Report.
19. To approve the amendments to the rules of the National Grid plc Long Term Performance Plan (the 'Plan') produced in draft to this meeting and for the purposes of identification initialled by the Chairman and to authorise the Directors to adopt the changes to the Plan and do all acts and things necessary to implement the changes.
20. To authorise the Directors generally and unconditionally, in accordance with Section 551 of the Companies Act 2006 (the '2006 Act'), to allot shares in the Company or to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £141,863,549.  
  
This authority shall expire at the earlier of the close of the next AGM and 28 October 2015 except that the Directors shall be entitled, at any time prior to the expiry of this authority, to make an offer or enter into an agreement which would, or might, require shares to be allotted or subscription or conversion rights to be granted after such expiry and the Directors may allot shares or grant rights in accordance with such offer or agreement as if the authority conferred had not expired.
21. To authorise the Directors, in accordance with the Articles of Association, to offer the holders of ordinary shares of the Company, to the extent and in the manner determined by the Directors, the right to elect to receive new ordinary shares (credited as fully paid) instead of cash, in respect of all or part of any dividend which may be declared or paid in the period prior to the conclusion of the AGM to be held in 2019.
22. Subject to the passing of resolution 21, to authorise the Directors, in accordance with the Articles of Association, to capitalise the appropriate nominal amounts of new shares of the Company allotted pursuant to the Company's scrip dividend scheme out of the sums standing to the credit of any reserve or account of the Company.

**23.** Subject to the passing of resolution 20 set out above, to authorise the Directors, in accordance with Section 570 of the 2006 Act, to allot equity securities wholly for cash, including a sale of treasury shares, as if Section 561 of the 2006 Act did not apply to any such allotment or sale, provided that this power shall be limited to:

- (i) any such allotment or sale in connection with a pre-emptive offer; and
- (ii) any such allotment or sale, otherwise than pursuant to a pre-emptive offer, of equity securities up to an aggregate nominal value of £21,279,532.

This authority shall expire at the earlier of the close of the next AGM and 28 October 2015 except that the Directors shall be entitled, at any time prior to the expiry of this authority, to make an offer or enter into an agreement which would, or might, require equity securities to be allotted wholly or partly after such expiry and the Directors may allot equity securities in accordance with such offer or agreement as if the authority conferred had not expired.

**24.** To authorise the Company generally and unconditionally, for the purpose of Section 701 of the 2006 Act, to make market purchases of its ordinary shares provided that:

- (i) the maximum number of ordinary shares that may be acquired is 373,477,508 being 10% of the Company's issued share capital (excluding treasury shares) as at 18 May 2014;
- (ii) the minimum price per share that may be paid for any such shares is  $11\frac{17}{43}$  pence; and

- (iii) the maximum price per share that may be paid for any such shares is not more than the higher of: (a) an amount equal to 105% of the average market value for an ordinary share, as derived from the London Stock Exchange Official List, for the five business days prior to the day on which the purchase is made; and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System.

This authority shall expire at the earlier of the close of the next AGM and 28 October 2015 except that the Company shall be entitled, at any time prior to the expiry of this authority, to make a contract of purchase which would, or might, be executed wholly or partly after such expiry and to purchase shares in accordance with such contract as if the authority conferred had not expired.

**25.** To authorise the Directors, in accordance with the Company's Articles of Association, to call a general meeting of the Company, other than an AGM, on not less than 14 clear days' notice.

The Directors believe the proposals set out in resolutions 1 to 25 are in the best interests of shareholders as a whole and they unanimously recommend that shareholders vote in favour of each of the resolutions as they intend to do in respect of their own holdings.

On behalf of the Board

**Alison Kay**  
Group General Counsel & Company Secretary  
18 May 2014  
National Grid plc

Registered Office: 1-3 Strand, London WC2N 5EH  
Registered in England and Wales No. 4031152

# Explanation of resolutions

Resolutions 23, 24 and 25 will be proposed as special resolutions and will be passed if at least 75% of the votes cast (not counting votes withheld) are in favour.

The remaining resolutions are being proposed as ordinary resolutions and will be passed if more than 50% of the votes cast (not counting votes withheld) are in favour.

## Resolution 1: To receive the Annual Report

The Company is required to present its report and accounts to shareholders at its AGM.

Copies of the full Annual Report and the Shareholder Information leaflet (previously named the Performance Summary) will be available at the AGM. These documents are also available on the Company's website at [www.nationalgrid.com](http://www.nationalgrid.com). Paper copies can be obtained from Capita Asset Services, see the back page for contact details.

## Resolution 2: To declare a final dividend

The Company requires shareholder consent to pay a final dividend. The dividend cannot exceed the amount recommended by the Directors. If approved, the final dividend of 27.54 pence per ordinary share (US\$2.3107 per American Depositary Share ('ADS')) will be paid on 20 August 2014 to shareholders on the register at the close of business on 6 June 2014. The dividend is to be paid in respect of each ordinary share other than those shares in respect of which a valid election has been made, pursuant to the Company's scrip dividend scheme, to receive new ordinary shares instead of the final dividend in cash. Dividends are declared in both pence and US\$ to ensure that holders of both ordinary shares and ADSs are paid the declared dividend on the same day. Please also refer to the notes for resolutions 21 and 22 in relation to the Company's scrip dividend scheme.

## Resolutions 3 – 14: Election and re-election of Directors

The Company's Articles of Association require that any Director appointed to the Board retire and seek election by shareholders at their first AGM following appointment and subsequent re-election at least once every three years. Accordingly, following the appointment of Therese Esperdy and John Pettigrew on 18 March 2014 and 1 April 2014 respectively, they will seek election at this AGM. Additionally, in accordance with the UK Corporate Governance Code, it is proposed that all other Directors seek re-election at the AGM this year, with the exception of Maria Richter and Nick Winsor, who will be stepping down from the Board following the conclusion of the 2014 AGM.

When making its recommendation to the Board in respect of the election or re-election of the Directors, the Nominations Committee considers the balance of skills, experience, independence and knowledge on the Board and reviews the commitment and effectiveness of each Director.

Accordingly, the Board has resolved that the Directors continue to be effective, committed to their roles and have sufficient time available to perform their duties to the Company. Additionally, the Board has determined, other than the Chairman, each of the Non-executive Directors at year end to be independent notwithstanding that Maria Richter has served on the Board for more than nine years.

The Board considers the independent character and judgement of the Non-executive Directors and varied and relevant experience of all the Directors combine to provide an exceptional balance of skills and knowledge which is of great benefit to the Company and, therefore, the Board recommends the re-election of all Directors, with the exception of Maria Richter and Nick Winsor.

Key	
A	Audit Committee
F	Finance Committee
N	Nominations Committee
R	Remuneration Committee
S	Safety, Environment and Health Committee
(ch)	chairman of Committee

## Resolution 3: To re-elect Sir Peter Gershon CBE FREng, Chairman

**Appointment to the Board:** August 2011 as Deputy Chairman, Chairman with effect from January 2012

**Committee membership:** N (ch)

**Previous appointments:** Chairman of Premier Farnell plc, Chief Executive of the Office of Government Commerce, Managing Director of Marconi Electronic Systems and member of the UK Defence Academy Advisory Board.

**External appointments:** Chairman of Tate & Lyle plc and the Aircraft Carrier Alliance and member of the HM Government Efficiency and Reform Board and The Sutton Trust Board.

## Resolution 4: To re-elect Steve Holliday FREng, Chief Executive

**Appointment to the Board:** October 2002, appointed to National Grid Group plc 2001, Chief Executive with effect from January 2007

**Committee membership:** F

**Previous appointments:** Executive Director of British Borneo Oil and Gas, he also spent 19 years within the Exxon Group, where he held senior positions in the international gas business and managed major operational areas such as refining and shipping. Most recently Chairman of the UK Business Council for Sustainable Energy and the Technician Council.

**External appointments:** Non-executive Director of Marks and Spencer Group plc, Chairman of Crisis UK, the Prince's National Ambassador, Vice Chair for Business in the Community and Chair of the Energy and Efficiency Industrial Partnership.

**Resolution 5:****To re-elect Andrew Bonfield, Finance Director****Appointment to the Board:** November 2010**Committee membership:** F, S**Previous appointments:** Chief Financial Officer at Cadbury plc until March 2010, he also spent five years as Executive Vice President & Chief Financial Officer of Bristol-Myers Squibb Company and has previous experience in the energy sector as Finance Director of BG Group plc.**External appointments:** Non-executive Director of Kingfisher plc.**Resolution 6:****To re-elect Tom King, Executive Director, US****Appointment to the Board:** August 2007**Previous appointments:** President of PG&E Corporation and Chairman and CEO of Pacific Gas and Electric Company from 2003 to 2007, having held a number of senior positions within the PG&E group since joining in 1998. Senior management positions with Kinder Morgan Energy Partners and Enron Corporation.**Resolution 7:****To elect John Pettigrew, Executive Director, UK****Appointment to the Board:** 1 April 2014**Previous appointments:** Joined The National Grid Company plc in 1991 and held various senior management roles, becoming Director of Engineering in 2003. He went on to become Chief Operating Officer and Executive Vice President for the US Electricity Distribution and Generation business between 2007 and 2010; Chief Operating Officer for UK Gas Distribution between 2010 and 2012; and UK Chief Operating Officer from 2012 to 2014.**Resolution 8:****To re-elect Philip Aiken AM, Non-executive Director****Appointment to the Board:** May 2008**Committee membership:** A, N, S (ch)**Previous appointments:** Group President of BHP Billiton's Energy business, Executive Director of BTR plc, held senior roles in BOC Group plc, senior advisor to Macquarie Capital (Europe) Limited, Chairman of Robert Walters plc, Non-executive and Senior Independent Director of Kazakhmys PLC and Non-executive Director of Miclyn Express Offshore Limited.**External appointments:** Chairman of AVEVA Group plc, Non-executive and Senior Independent Director of Essar Energy plc and Non-executive Director of Essar Oil Limited and Newcrest Mining Limited.**Resolution 9:****To re-elect Nora Mead Brownell, Non-executive Director****Appointment to the Board:** June 2012**Committee membership:** N, R, S**Previous appointments:** Commissioner of the Pennsylvania Public Utility Commission from 1997 to 2001, Commissioner for the Federal Energy Regulatory Commission from 2001 to 2006 and former President of the National Association of Regulatory Utility Commissioners. Board member of ONCOR Electric Delivery Holding Company LLC.**External appointments:** Board member of Comverge, Inc., Spectra Energy Partners LP and partner in ESPY Energy Solutions, LLC.**Resolution 10:****To re-elect Jonathan Dawson, Non-executive Director****Appointment to the Board:** March 2013**Committee membership:** F, N, R (ch)**Previous appointments:** Various roles within the Ministry of Defence before joining Lazard where he spent over 20 years. Non-executive Director of Galliford Try plc 2004 to 2008, National Australia Group Europe Limited 2005 to 2012 and Standard Life Investments (Holdings) Limited 2010 to 2013.**External appointments:** Non-executive and Senior Independent Director of Next plc, Non-executive Director of Jardine Lloyd Thompson Group plc and Chairman of Penfida Limited.**Resolution 11:****To elect Therese Esperdy, Non-executive Director****Appointment to the Board:** 18 March 2014**Committee membership:** F, N**Previous appointments:** Joined Chase Securities in 1997, having started her banking career with Lehman Brothers. Various senior roles at JPMorgan Chase & Co. including Head of US Debt Capital Markets and Global Head of Debt Capital Markets at JPMorgan.**External appointments:** Co head of Banking, Asia Pacific for JPMorgan Chase & Co.**Resolution 12:****To re-elect Paul Golby CBE FREng, Non-executive Director****Appointment to the Board:** February 2012**Committee membership:** N, R, S**Previous appointments:** Executive Director of Clayhithe plc before joining East Midlands Electricity plc in 1998 as Managing Director, Chief Executive of E.ON UK plc in 2002, and later additionally as Chairman, stepping down from the E.ON Board in December 2011 and most recently Non-executive Chairman of AEA Technology Group plc.**External appointments:** Chairman of EngineeringUK, Chair of the Engineering and Physical Sciences Research Council and a member of the Council for Science and Technology.

## Explanation of resolutions continued

### Resolution 13:

#### To re-elect Ruth Kelly, Non-executive Director

**Appointment to the Board:** October 2011

**Committee membership:** A, F, N

**Previous appointments:** Various senior roles in Government from 2001 to 2008, including Secretary of State for Transport, Secretary of State for Communities and Local Government, Secretary of State for Education and Skills, and Financial Secretary to the Treasury.

**External appointments:** Senior Executive at HSBC and Governor for the National Institute of Economic and Social Research.

### Resolution 14:

#### To re-elect Mark Williamson, Non-executive Director

**Appointment to the Board:** September 2012

**Committee membership:** A (ch), N, R

**Previous appointments:** Chief Accountant then Group Financial Controller of Simon Group plc before joining International Power plc as Group Financial Controller in 2000 and appointed as Chief Financial Officer in 2003.

**External appointments:** Non-executive Director, Chairman of the Audit Committee and Senior Independent Director of Alent plc, and Chairman of Imperial Tobacco Group PLC.

### Resolutions 15 and 16:

#### Auditors' reappointment and remuneration

The Audit Committee keeps under review the independence and objectivity of the external auditors and reviews fees paid to them, further information on which can be found in the Corporate Governance section of the Annual Report. The Audit Committee has recommended to the Board the reappointment of PricewaterhouseCoopers LLP.

#### Resolution 15: To reappoint the auditors PricewaterhouseCoopers LLP

It is a requirement that the Company's auditors must be reappointed at each general meeting at which accounts are laid, which will normally be at each AGM. This resolution proposes the auditors' reappointment.

#### Resolution 16: To authorise the Directors to set the auditors' remuneration

This resolution proposes the Directors be authorised to set the auditors' remuneration.

### Resolutions 17 and 18:

#### Directors' remuneration

These resolutions deal with the remuneration of the Directors and seek approval of the Directors' remuneration policy and of the remuneration paid to the Directors during the year under review respectively.

Changes to the 2006 Act, which took effect in October 2013, require the Company to ask shareholders to approve the remuneration policy section of the Directors' Remuneration Report. This is set out on pages 59 to 66 of the Annual Report. New resolution 17 is a binding vote. If approved by shareholders, the Directors' remuneration policy will take effect immediately after the conclusion of the AGM and will apply until replaced by a new or amended policy.

Resolution 18 is to be proposed as an advisory resolution on the remainder of the Directors' Remuneration Report. This means that, should shareholders vote against the Report, the Directors will still be paid but the Remuneration Committee will reconsider remuneration policy going forward. The Report (excluding the Directors' remuneration policy) is set out on pages 58 and 67 to 73 of the Annual Report.

### Resolution 19:

#### Amendment of the Long Term Performance Plan

This resolution seeks approval for the following changes to the National Grid plc Long Term Performance Plan to reflect the Directors' remuneration policy set out in the Directors' Remuneration Report (see resolution 17 above):

- To increase the individual limit for the market value of shares subject to awards which can be granted to Executive Directors in a financial year from 250% to 300% of annual basic salary and to 350% of annual basic salary in the case of the Chief Executive Officer.
- To extend the circumstances in which malus or clawback can be applied to include the occurrence of a significant environmental or health and safety issue, a failure of risk management and the emergence of facts after termination of employment which, had they been known at the time, would have resulted in the participant not being treated as a good leaver.
- To require any share transfer by a participant after vesting to be in accordance with the Company's shareholding requirements from time to time. The remuneration policy states that the initial requirement is for the Chief Executive Officer to build up and then hold shares in the Company equal to 500% of salary and for other Executive Directors to build up and then hold shares in the Company equal to 400% of salary.

The rules of the National Grid plc Long Term Performance Plan showing the proposed amendments are available for inspection (see note 15 on page 09 of this Notice of AGM).



## Resolution 20: To authorise the Directors to allot ordinary shares

The purpose of resolution 20 is to renew the Directors' power to allot shares. The authority will allow the Directors to allot new shares, or to grant rights to subscribe for or convert any security into shares, up to a nominal value of £141,863,549, which is equivalent to approximately 33% of the issued share capital of the Company, exclusive of treasury shares, as at 18 May 2014.

This year the Directors are seeking a lower level of authority than in recent years, where an equivalent of two-thirds of the issued share capital of the Company, exclusive of treasury shares, was sought. The Directors consider that the Company will have sufficient flexibility with the lower level of authority to respond to market developments. This authority is in line with investor guidelines.

The Directors currently have no intention of issuing new shares, or of granting rights to subscribe for or to convert any security into shares, except in relation to, or in connection with, the operation and management of the Company's scrip dividend scheme and the exercise of options under the Company's share plans.

The Company intends to actively manage the share issuance arising from the operation of the scrip dividend scheme. In some circumstances, additional shares may be allotted to the market under the authority provided by this resolution. The Company believes these circumstances are unlikely to arise. However if required, it is expected that the allotment of new shares (or rights to subscribe for or convert any security into shares) will not exceed 1% of the issued share capital (excluding treasury shares) per annum. For further details in relation to the management of the scrip dividend scheme, see page 02 of the Annual Report.

This authority will be subject to renewal annually. If the resolution is passed, the authority will expire on the earlier of 28 October 2015 and the close of the next AGM.

As at 18 May 2014, the number of ordinary shares in issue was 3,854,339,684 and the Company held 119,564,599 treasury shares, representing 3.2% of the issued share capital excluding treasury shares.

## Resolutions 21 and 22: Scrip dividend

The Directors are proposing that the Company renew the authority (originally granted at the 2009 AGM in respect of any dividend declared or paid in the period prior to the conclusion of the AGM to be held in 2014) to operate an optional scrip dividend scheme to commence with the proposed 2013/14 final dividend payable in August 2014. The scrip dividend scheme is subject to shareholder approval. Such a scheme will give shareholders the right to elect to receive new ordinary shares in the capital of the Company (credited as fully paid) instead of future cash dividends.

The terms and conditions of the National Grid scrip dividend scheme will be amended with effect from the conclusion of the AGM. The revised terms and conditions are set out at Annex 1 and will be available in the Investors area of our website, [www.nationalgrid.com](http://www.nationalgrid.com). The proposed changes are largely administrative in nature and are not material to the way in which the scheme currently operates.

Shareholders who elect to take new shares in the Company under the scheme will increase their holdings without incurring stamp duty or dealing costs. For the avoidance of doubt, existing scrip mandates executed by shareholders previously will remain effective and will apply to future dividends for which a scrip alternative is offered unless the mandate is cancelled by the shareholder by contacting Capita Asset Services in accordance with the scrip dividend scheme terms and conditions.

The number of shares that shareholders will be entitled to receive under the scheme will be determined by their holdings and the reference share price. The reference share price will be calculated based on the average closing middle market quotations for the Company's shares as derived from the London Stock Exchange Daily Official List for five dealing days commencing on the ex-dividend date for each dividend. Details of how the scrip dividend scheme will operate in respect of the proposed 2013/14 final dividend and future dividends together with the terms and conditions of the scheme can be found at Annex 1.

In accordance with the Articles of Association of the Company, approval is sought to capitalise sums standing to the credit of the reserves of the Company, including the share premium account. This would enable the Directors to apply such sums in paying up in full the nominal amounts of new shares allotted to shareholders pursuant to elections under the scrip dividend scheme.

**Resolutions 23, 24 and 25 are special resolutions and will be passed if at least 75% of the votes cast (not counting votes withheld) are in favour.**

## Resolution 23: To disapply pre-emption rights

If the Directors allot new shares or other equity securities, or sell treasury shares, for cash (other than in connection with an employee share plan), they must first offer them to existing shareholders in proportion to their existing holdings (known as pre-emption rights). This resolution seeks shareholders' approval to allot a limited number of ordinary shares or other equity securities, or sell treasury shares, for cash without offering them to existing shareholders in proportion to their existing shareholdings first.

The Directors intend to adhere to the provisions of the Pre-emption Group's Statement of Principles not to allot shares on a non pre-emptive basis (other than pursuant to a pre-emptive offer) in excess of an amount equal to 7.5% of the total issued ordinary share capital of the Company over a rolling three year period, without prior consultation with shareholders. Accordingly, the resolution seeks approval for the allotment of new issues of up to 186,738,754 new ordinary shares for cash, representing 5% of the issued share capital (excluding treasury shares) as at 18 May 2014. This limit also applies to shares issued from treasury. A renewal of this authority will be proposed at each subsequent AGM.

# Notes

## Resolution 24: To authorise the Company to purchase its own ordinary shares

In some circumstances, the Company may find it advantageous to have the authority to purchase its own shares in the market. The Directors believe that it is an important part of the financial management of the Company to have the flexibility to repurchase issued shares in order to manage its capital base.

The Company will only purchase shares where the Directors believe this would be in the best interests of shareholders generally, for example to manage any excess share dilution created by a large take-up through the scrip dividend scheme. The authority will only be used after careful consideration, taking into account market conditions prevailing at the time, other investment opportunities, appropriate gearing levels and the overall financial position of the Company.

Further to the explanatory note to resolution 20, share issuance arising from the operation of the scrip dividend scheme may be actively managed through the repurchase of the Company's shares. It is expected that such repurchases will not exceed 1% of the issued share capital (excluding treasury shares) per annum. For further details in relation to the management of the scrip dividend scheme, see page 02 of the Annual Report.

Repurchased shares may be held as treasury shares by the Company, and resold for cash, cancelled, either immediately or at some point in the future, or used for the purposes of employee share schemes.

The Company did not purchase any shares during the year ended 31 March 2014. This resolution complies with investor guidelines, which limit share purchases to 10% of the issued share capital (excluding treasury shares) per annum.

As at 18 May 2014, options were outstanding over 25,843,727 ordinary shares, representing approximately 1% of the issued share capital (excluding treasury shares). If the proposed market purchase authority were used in full, shares over which these options were outstanding would represent approximately 1% of the adjusted share capital (excluding treasury shares).

## Resolution 25: To authorise the Directors to hold general meetings on 14 clear days' notice

The Articles of Association allow the Directors to call general meetings of the Company, other than AGMs, on a minimum of 14 days' notice. Under Section 307A of the 2006 Act, annual shareholder approval is required to call such meetings on such notice (rather than on 21 days' notice). Accordingly, to retain flexibility, the Directors are seeking authority again this year to continue to be able to call general meetings on not less than 14 clear days' notice. The approval will be effective until the Company's next AGM when it is intended that a similar resolution will be proposed. The shorter notice period would not be used as a matter of routine for such meetings, but only where flexibility is merited by the business of the meeting and it is thought to be to the advantage of shareholders as a whole. The Company will make available to all shareholders an electronic voting facility for any meeting held on such notice.

1. To be entitled to attend and vote at the AGM, shareholders must be included in the register of members of the Company as at 6pm on Saturday 26 July 2014 or, in the event that this AGM is adjourned, in the register of members 48 hours before the time of any adjourned AGM. They shall be entitled to vote at the AGM in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 6pm on Saturday 26 July 2014 or, in the event that this AGM is adjourned, in the register of members 48 hours before the time of any adjourned AGM, shall be disregarded in determining the rights of any person to attend or vote at the AGM.
2. As at 18 May 2014 (being the latest practicable date before publication of this Notice of AGM), there were 3,854,339,684 ordinary shares in issue, each carrying one vote each, and 119,564,599 shares in treasury. Shares held in treasury do not have voting rights. Therefore, the total number of voting rights exercisable as at 18 May 2014 is 3,734,775,085.
3. Holders of ordinary shares are entitled to attend, speak and vote, either in person or by proxy, at general meetings of the Company.
4. Each of the resolutions to be put to the meeting will be voted on by a poll and not by a show of hands. A poll reflects the number of voting rights exercisable by each shareholder and so the Directors consider it a more democratic method of voting. Shareholders and proxies will be asked to vote in the meeting using a hand held voting system. The results will be published on the Company's website and notified to the UK Listing Authority once the votes have been verified.
5. A shareholder of the Company who is entitled to attend, speak and vote at the AGM but is unable or does not wish to attend is entitled to appoint a proxy or proxies to attend, speak and vote on his/her behalf. A proxy does not need to be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Unless specified otherwise, the Chairman of the Company will act as proxy and vote on a poll as directed by the appointing shareholder. Shareholders will, as applicable, have been sent a personalised Proxy Card or alternatively will be able to complete a proxy form online at [www.nationalgridshareholders.com](http://www.nationalgridshareholders.com).
6. To be valid, Proxy Cards must be received by no later than 11.30am on Saturday 26 July 2014, using the pre-paid envelope provided or delivered by post or (during normal business hours) by hand to: Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Alternatively, shareholders can complete the proxy form online at [www.nationalgridshareholders.com](http://www.nationalgridshareholders.com) by no later than 11.30am on Saturday 26 July 2014. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person.
7. For further details relating to the voting and participation rights of shareholders, please refer to the Company's Articles of Association, copies of which are available on the Company's website at [www2.nationalgrid.com/about-us/corporate-governance/](http://www2.nationalgrid.com/about-us/corporate-governance/).



8. If this notice is sent to you as a person nominated to receive copies of Company communications, the proxy rights described above do not apply. The rights described in these paragraphs only apply to shareholders. You may have a right under an agreement with the registered member to be appointed (or have someone else appointed) as a proxy for the AGM, and you are advised to contact them. Alternatively, if you do not have such a right, or do not wish to exercise it, you may have a right under such agreement to give instructions to the registered member holding the shares as to the exercise of voting rights.
9. A corporate shareholder may appoint one or more corporate representatives on its behalf who may exercise all of its powers as a shareholder provided they do not do so in relation to the same shares.
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual available via [www.euroclear.com](http://www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.
11. Any message, regardless of whether it relates to the appointment of a proxy or to an amendment to an instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (CREST ID RA10) by 4.30pm on Friday 25 July 2014. After this time, any change to instructions to proxies appointed through CREST should be communicated to the agent by other means. It is the responsibility of the CREST member concerned to take (or if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. Shareholders have the right to ask questions at the AGM which the Company must cause to have answered if they relate to the business being dealt with at the meeting unless (a) answering such questions would unduly interfere with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on the Company's website in the form of an answer to a question, or (c) answering the questions would be undesirable in the interests of the Company or the good order of the meeting.
13. Shareholders meeting the threshold requirements in Section 338 and Section 338A of the 2006 Act have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in such business. A resolution may properly be moved or a matter may properly be included in the business of the meeting unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious.
14. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business of the meeting, must be authorised by the person or persons making it, must be received by the Company not later than 13 June 2014, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business of the meeting only) must be accompanied by a statement setting out the grounds for the request.
15. Copies of the Directors' service contracts or letters of appointment, the rules of the National Grid plc Long Term Performance Plan showing the proposed amendments and the Company's Articles of Association will be available for inspection at the registered office of the Company at 1-3 Strand, London WC2N 5EH during normal business hours until the time of the AGM and at The ICC, Broad Street, Birmingham B1 2EA from 15 minutes before the AGM until it ends.
16. Copies of this Notice of AGM, the Annual Report and information required by Section 311A of the 2006 Act are available on the Company's website at [www.nationalgrid.com](http://www.nationalgrid.com). Shareholders should note it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the 2006 Act, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the 2006 Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Section 527 or Section 528 of the 2006 Act. Where the Company is required to place a statement on a website under Section 527 of the 2006 Act, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement the Company has been required under Section 527 of the 2006 Act to publish on a website.

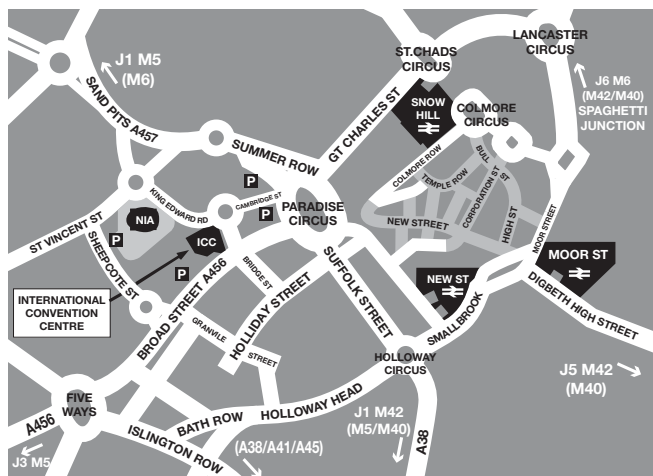
# Shareholder information

## The AGM

The AGM will take place at 11.30am on Monday 28 July 2014 at The ICC, Broad Street, Birmingham B1 2EA (see map below). Registration for the AGM will open at 10am.

## Venue

For location and travel details to The ICC, please visit [www.theicc.co.uk/locationtravel](http://www.theicc.co.uk/locationtravel). For walking route details, please visit [www.walkit.com](http://www.walkit.com). Limited free car parking will be available at the venue (North Car Park) on a 'first come, first served' basis. Car parking for shareholders with special needs is also available.



## If you can attend the meeting

Please bring your Admission Card if received in hard copy or a copy of the email notification if we communicate with you electronically, as this will help with registration.

Tea and coffee will be available before the meeting and a light lunch will be provided after the meeting in the main hall. Please note that food and drink are not permitted in the auditorium.

You will be asked to pass through our security systems before entering the meeting. For your personal safety and security there may be checks and searches conducted. Please do not bring suitcases, large bags or rucksacks. If you do we may ask you to leave the item in the cloakroom.

Recording equipment, cameras and other items that might interfere with the good order of the meeting will not be permitted into the main hall or auditorium. Mobile phones must be turned off or on silent during the meeting.

If there is a question that you wish to ask at the meeting, we would encourage you to pre-register your question with a member of the team at the Question Registration area in the main hall.

Capita Asset Services will be available before and after the meeting to answer any questions you may have regarding your shareholding. National Grid staff will also be available to answer any questions you may have on the Company's activities.

The meeting will be filmed for webcast purposes. If you attend the meeting in person, you may be included in the webcast. Please note that the webcast footage may be transferred outside the European Economic Area. By attending the meeting, you consent to being filmed.

## Shareholders with special needs

The ICC is easily accessible by wheelchair users and has lift access inside. An induction loop is available for shareholders with hearing difficulties.

## If you cannot attend

You can follow the meeting by watching our webcast online at [www.nationalgrid.com](http://www.nationalgrid.com).

In order to vote on the resolutions being proposed at the AGM, you will need to appoint a proxy using one of the following methods (as applicable):

- Complete the proxy form online at [www.nationalgridshareholders.com](http://www.nationalgridshareholders.com)
- Complete, date and sign the paper Proxy Card enclosed with this Notice and return it using the pre-paid envelope provided or deliver it by hand during normal business hours to:  
Capita Asset Services  
PXS  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU
- If you are a CREST member you can submit a message via CREST, please see notes 10 and 11 on page 09 for details.

To be valid, Proxy Cards must be received by 11.30am on Saturday 26 July 2014 and CREST Proxy Instructions by 4.30pm on Friday 25 July 2014.

**Please note that proxy votes can only be submitted via paper. Proxy Cards returned to the address stated, electronically via [www.nationalgridshareholders.com](http://www.nationalgridshareholders.com) or via CREST. Proxy votes cannot be submitted via any other means of communication.**

The return of a completed Proxy Card or CREST Proxy Instruction will not prevent you from attending the AGM and voting in person if you wish to do so.

## Voting

Each of the resolutions to be put to the meeting will be voted on by a poll and not by a show of hands. A poll reflects the number of voting rights exercisable by each shareholder and so the Directors consider it a more democratic method of voting. Shareholders and proxies will be asked to vote in the meeting using a hand held voting system. The results will be published on the Company's website and notified to the UK Listing Authority once the votes have been verified.

For further details relating to the voting and participation rights of shareholders, please refer to the Company's Articles of Association, copies of which are available on the Company's website at [www2.nationalgrid.com/about-us/corporate-governance/](http://www2.nationalgrid.com/about-us/corporate-governance/).

## Have you received unsolicited investment advice?

Shareholders are advised to be wary of any unsolicited advice or offers, whether over the telephone, through the post, by email or visits at home. If you receive any such unsolicited contact, please check the company or person contacting you is properly authorised by the Financial Conduct Authority (FCA) before getting involved.

You can check at [www.fca.org.uk/consumers/protect-yourself](http://www.fca.org.uk/consumers/protect-yourself) and can report calls from unauthorised firms to the FCA by calling **0800 111 6768**.

## Want more information or help?

Capita Asset Services can help with shareholding queries and can provide you with a copy of the Annual Report, contact details overleaf. Alternatively, the Annual Report, Shareholder Information leaflet and this Notice of Meeting are available at [www.nationalgrid.com](http://www.nationalgrid.com) in the Investors section.

## Annex 1 Scrip Dividend Scheme – Terms and Conditions

If you are in any doubt about the action you should take with this document, you should immediately consult an appropriate independent advisor duly authorised under the UK Financial Services and Markets Act 2000.

### 1. The Scrip Dividend Scheme

The optional Scrip Dividend Scheme enables shareholders to receive new fully paid ordinary shares in National Grid plc instead of cash dividends. This makes it possible for shareholders to increase their shareholdings in National Grid without incurring dealing costs or stamp duty. Please see paragraph 16 below for taxation information.

The operation of the Scheme is subject always to the Directors' decision to make an offer of new fully paid ordinary shares in respect of any particular dividend. Should the Directors decide not to offer new shares in respect of any particular dividend, cash will automatically be paid instead.

### 2. Joining the Scheme

All UK shareholders holding their shares in certificated form can if they so wish join the Scheme by completing and submitting a Scrip Dividend Mandate Form. This can be done online by visiting the National Grid share portal, [www.nationalgridshareholders.com](http://www.nationalgridshareholders.com), and changing their dividend options or by completing a paper Mandate Form (which may be amended from time to time) and sending it to the Company's Registrar, Capita Asset Services. No acknowledgment of receipt of online instructions or paper Mandate Forms will be issued. For details regarding overseas shareholders please see paragraph 11 below. Further copies of the paper Mandate Form may be obtained online at [www.nationalgrid.com](http://www.nationalgrid.com) or from the Company's Registrar. All elections will be subject to fulfilment of the conditions specified on the share portal or in the paper Mandate Form. The right to elect to receive new shares is non-transferable.

The date by which scrip elections must be made is referred to as the 'Scrip Election Date'. The applicable Scrip Election Date in relation to each dividend will be announced by the Company and made available on its website at [www.nationalgrid.com](http://www.nationalgrid.com). Completed Mandate Forms must be received by the Company's Registrar before 5pm on the Scrip Election Date to apply to the dividend to be paid in order to be eligible to receive shares instead of cash for that dividend and subsequent dividends. Mandate Forms received after that time will apply to subsequent dividends only and the upcoming dividend will be paid in cash. A Mandate Form, once submitted online or completed and returned to the Company's Registrar, will remain in force for all future dividends, where a scrip dividend alternative is offered, until such Mandate Form is cancelled by the shareholder via the share portal or in writing to the Company's Registrar.

Shareholders who hold their shares in CREST can only elect to receive dividends in the form of new ordinary shares by use of the CREST Dividend Election Input Message. By doing so, such CREST shareholders confirm their election to participate in the Scheme and their acceptance of these terms and conditions, as amended from time to time. Other forms of election, including paper forms of election, will not be accepted in respect of shares held through CREST. The Dividend Election Input Message must contain the number of shares on which the election is being made.

If the number of elected shares is blank or zero then it will be rejected. If the number of elected shares is greater than the shares held at the relevant record date then the election will be applied to the holding as at the relevant record date. Once an election is made using the CREST Dividend Election Input Message system it cannot be amended. Therefore, if a CREST shareholder wished to change their election, such shareholder would need to cancel their previous election and submit a new election. CREST shareholders must elect for each dividend to receive new shares in respect of such dividend.

CREST elections must be made through CREST, before 5pm on the Scrip Election Date.

### 3. Number of new shares

The number of new shares that shareholders will receive for each dividend will depend on the amount of the cash dividend, any residual cash balance brought forward from the last scrip dividend, the number of shares held, and the reference share price to be used in calculating shareholders' entitlements.

The reference share price will be the average of the middle market quotations for the Company's ordinary shares on the London Stock Exchange Daily Official List for the five dealing days commencing on (and including) the date on which the ordinary shares are first quoted ex-dividend.

The formula used for calculating the maximum number of shares to be received for each dividend will be as follows:

$$\frac{(\text{number of ordinary shares held at the dividend record date} \times \text{cash dividend per share}) + \text{any residual cash balance}}{\text{reference share price}}$$

reference share price

For example:

- i) If a shareholder held 1,000 shares and the dividend was 21.3 pence per share and the average share price for the five dealing days after the ex-dividend date was 710 pence then such shareholder would receive 30 additional shares under the Scrip Dividend Scheme.
- ii) If a shareholder held 500 shares and the dividend was 23 pence per share and the average share price for the five dealing days after the ex-dividend date was 610 pence then such shareholder would receive 18 additional shares under the Scrip Dividend Scheme.

The record date, ex-dividend date and reference share price in respect of any future scrip dividends will be announced and made available on the Company's website at [www.nationalgrid.com](http://www.nationalgrid.com).

Once shareholders' new shares have been issued, a statement will be sent to such shareholders, along with a new share certificate, showing the number of new ordinary shares allotted, the reference share price, and the total cash equivalent of the new ordinary shares for tax purposes. If on any occasion the cash dividend entitlement, together with any cash balance brought forward, is insufficient to acquire at least one new share, shareholders will receive a statement explaining that no shares have been issued and showing how much cash has been carried forward to the next dividend.

CREST shareholders will have their accounts credited directly with new shares on the dividend payment date or as soon as practicable thereafter and will receive a statement as above.

#### 4. Fractions and cash balances

No fraction of a new share will be allotted and calculation of entitlement to new shares will always be rounded down to the nearest whole new share. Any residual cash balance (except in the case of CREST shareholders where such sums will be paid out on the dividend payment date) will be carried forward to be included in the calculation for the next dividend. No interest will be paid on this cash balance.

#### 5. Future dividends

Once a shareholder has completed and returned a valid Mandate Form, this will apply for all successive dividends unless and until it is revoked via the share portal or in writing by the shareholder to the Company's Registrar. Shareholders holding their shares in CREST must elect for each dividend. The mandate is always subject to the Directors' decision to offer a scrip dividend. The Directors may decide not to offer a scrip alternative in respect of any future dividend. Please see paragraphs 13 and 14 below for further details.

All new ordinary shares issued under the Scheme will automatically increase shareholders' shareholdings on which the next entitlement to a scrip dividend will be calculated (unless an election has been made on part of a shareholding only in respect of nominee shareholdings). Where any dividend payable to a shareholder is insufficient to purchase at least one new share via the Scheme, funds representing shareholders' fractional entitlements will be accumulated for their benefit. These funds will be added to the cash amount of the next dividend (in respect of which a scrip dividend alternative is offered) and applied in calculating shareholders' entitlement under that offer. In the case of CREST shareholders, fractional entitlements will be paid out on the dividend payment date.

Accumulated fractional entitlements will be paid to shareholders in cash as soon as reasonably practicable in the event of cancellation of mandates by such shareholders or disposals of such shareholders' entire shareholdings, or in the event of cancellation or termination of the Scheme. In the event of death, insolvency or mental incapacity of a shareholder, any cash balance for that shareholder will be paid to his/her estate or trustee as applicable. Where a shareholder cancels their mandate or sells their shares, amounts less than £3 standing to their benefit in such account will, unless instructed otherwise in writing in advance by the shareholder, be paid to a charity of the Company's choice.

#### 6. Listing and ranking of the new shares

Application will be made to the London Stock Exchange and the UK Listing Authority ('UKLA') for admission of the new shares to trading and to the official list of the UKLA. The new shares will be credited as fully paid and will rank equally in all respects with the existing ordinary shares, including the same voting rights and dividend rights (other than, for the avoidance of doubt, the right to receive the relevant cash dividend in lieu of which the scrip shares have been issued). In the unlikely event that the new shares are not admitted to listing, or if any other condition is not fulfilled, the Company will pay the dividend in cash in the usual way as soon as reasonably practicable.

#### 7. Share certificates and dealings

Subject to the new shares being admitted to the official list of the UKLA and to trading on the London Stock Exchange, new share certificates for participants in the Scrip Dividend Scheme will be posted to certificated shareholders at their own risk, on or about the same date as the dividend warrants are posted to those shareholders who are not participating in the Scheme (see the National Grid website for current dates). CREST shareholders will

have their CREST accounts credited directly with the new shares on or as soon as is practicable after the same day that the cash dividend is paid. Dealings in the new ordinary shares are expected to begin on the dividend payment date.

#### 8. Multiple holdings

If for any reason a shareholder's shares are registered in more than one holding, then unless such multiple shareholdings are consolidated before the Scrip Election Date, they will be treated as separate. As a result, separate mandates will need to be completed for each such holding if shareholders wish to receive new shares under the Scheme in respect of each holding.

#### 9. Shareholdings in joint names

In respect of shareholdings held in joint names, to be effective, elections made using the Scrip Dividend Mandate Form must be signed by all joint shareholders.

#### 10. Partial elections

Mandates will only be accepted in relation to the whole shareholding. The Directors may, at their discretion, allow a shareholder to elect in respect of a lesser number of shares where they are acting on behalf of more than one beneficial holder, that is, through a nominee shareholding held in CREST. The Dividend Election Input Message submitted to CREST must contain the number of shares for which the election is being made. Such elections must be renewed for each dividend. A cash dividend will be paid on any remaining shares not included in the Dividend Election Input Message.

#### 11. Overseas shareholders

Shareholders who are resident outside the UK may treat this document as an invitation to receive new ordinary shares unless such an invitation could not lawfully be made to such shareholders without compliance with any registration or other legal or regulatory requirements. It is the responsibility of any person resident outside the UK wishing to elect to receive new ordinary shares under the Scheme to be satisfied that such an election can validly be made without any further obligation on the part of the Company, and to be satisfied as to full observance of the laws of the relevant territory, including obtaining any governmental, regulatory or other consents which may be required and observing any other formalities in such territories and any resale restrictions which may apply to the new shares. Unless this condition is satisfied, such shareholders may not participate in the Scheme or submit a Mandate Form.

#### 12. Recent sale or purchase of ordinary shares

If shareholders have sold some of their ordinary shares before a record date, the scrip dividend will apply in respect of the remainder of such shareholders' shares. If shareholders have bought any additional ordinary shares after a record date, the additional shares will not be eligible for the next dividend, but will be eligible for future dividends, without the need to complete a further mandate in respect of the additional shares.

#### 13. Cancellation of Mandates

Shareholders may cancel their Scrip Dividend Mandates at any time. Notice of cancellation must be effected online via the share portal or given in writing to the Company's Registrar by no later than 5pm on the Scrip Election Date. CREST shareholders can only cancel their elections through the CREST system. A notice of cancellation will take effect on its receipt and be processed by the Company's Registrar in respect of all dividends payable after the date of receipt of such notice. If a notice of cancellation is received after the Scrip Election Date, the shareholder will receive additional shares under the Scheme for the next dividend payable and the cancellation will take effect for subsequent dividends.



A shareholder's Scrip Dividend Mandate will be deemed to be cancelled if such shareholder sells or otherwise transfers their ordinary shares to another person but only with effect from the registration of the relevant transfer.

If you hold your shares in certificated form and you sell or transfer your entire shareholding before the last date for the receipt of scrip elections for a particular dividend, you will be withdrawn from the Scrip Dividend Scheme for that dividend. A shareholder's mandate will also terminate immediately on receipt of notice of such shareholder's death. However, if a joint shareholder dies, the mandate will continue in favour of the surviving joint shareholder(s) (unless and until cancelled by the surviving joint shareholder(s)). Any residual amounts of over £3 standing to the credit of a shareholder will be paid to such shareholder in cash on or as soon as practicable after the cancellation. Where such residual amount is under £3, such sums will, unless the shareholder instructs otherwise in writing in advance, be paid to a charity of the Company's choice.

#### 14. Changes to or cancellation of the Scheme

At any time the Directors, at their discretion and without notice to shareholders individually, may modify, suspend, terminate or cancel the Scheme. In the case of any modification, existing mandates (unless otherwise specified by the Directors) will be deemed to remain valid under the modified arrangements unless and until the Company's Registrar receives a cancellation in writing or via the share portal from such shareholders pursuant to paragraph 13 above. If the Scheme is terminated or cancelled by the Directors, all mandates then in force will be deemed to have been cancelled as at the date of such termination or cancellation.

The operation of the Scheme is always subject to the Directors' decision to make an offer of new fully paid ordinary shares in respect of any particular dividend. The Directors also have the power, after such an offer is made, to revoke the offer generally at any time prior to the allotment of new ordinary shares under the Scheme. If the Directors revoke an offer (or otherwise suspend, terminate or cancel the Scheme), shareholders will receive their dividend in cash on or as soon as reasonably practicable after the dividend payment date.

#### 15. Governing law and jurisdiction

The Scheme (including the Mandate Form and any related circular) is subject to the Company's Articles and these terms and conditions, as amended from time to time, and is governed by, and its terms and conditions are to be construed in accordance with, English law. By electing to receive new shares under the Scheme, you agree to submit to the exclusive jurisdiction of the English courts in relation to the Scheme.

#### 16. Taxation

The tax consequences of electing to receive new ordinary shares in place of a cash dividend will depend on shareholders' individual circumstances. If shareholders are not sure how they will be affected from a tax perspective, they should consult their solicitor, accountant or other professional advisor before taking any action.

The Company understands that (as at 18 May 2014), under UK legislation and HM Revenue & Customs practice (which are subject to change, possibly with retrospective effect), the taxation consequences for shareholders electing to receive new ordinary shares instead of a cash dividend will, broadly, be as follows. This summary relates only to the position of shareholders resident only in the UK for taxation purposes who hold their shares beneficially as an investment, otherwise than under a personal equity plan or an individual savings account and who have not

(and are not deemed to have) acquired their shares by reason of any office or employment.

The precise taxation consequences for a particular shareholder will depend on that shareholder's individual circumstances. Shareholders who may be subject to taxation in a jurisdiction other than the UK or who may be unsure as to their taxation position should seek their own professional advice. This summary of the taxation treatment is not exhaustive. However, if shareholders are in any doubt as to their tax position, they should consult their solicitor, accountant or other professional advisor before taking any action.

#### 16.1 UK resident individual shareholders Income Tax

Very broadly, a UK resident individual shareholder who receives new ordinary shares pursuant to the Scheme will have the same liability to income tax as he would have had had he received a cash dividend of an amount equal to the 'cash equivalent of the new ordinary shares'. The cash equivalent of the new ordinary shares will be the amount of the cash dividend which the shareholder would have received had they not elected to take new shares, unless the market value of the new shares on the first day of dealings on the London Stock Exchange differs substantially from the cash dividend foregone (i.e. differs by 15% or more of such market value) in which case the market value will be treated as the cash equivalent of the new ordinary shares for taxation purposes.

Where individual shareholders elect to receive new ordinary shares in place of a cash dividend, they will be treated as having received gross income of an amount which, when reduced by income tax at the rate of 10%, is equal to the cash equivalent of the new ordinary shares. Income tax at the rate of 10% is treated as having been paid on this gross income.

Generally, individuals who currently pay income tax at the basic rate, will have no further liability to income tax in respect of the new shares received. Individuals who are subject to income tax at the rate of 40% will be liable to pay income tax at the dividend upper rate of 32.5% on the gross income which they are treated as having received. The 10% income tax deemed to have been paid can be set off against part of that liability, thereby reducing the liability to 22.5% of the amount of the gross income treated as having been received (which is equal to 25% of the cash equivalent of the new ordinary shares). Subject to what is said above in relation to the determination of the cash equivalent of the new ordinary shares, this treatment is similar to that for cash dividends. No tax repayment claim may be made on either a cash dividend or in respect of new shares taken by non taxpaying individuals.

Individuals who are subject to income tax at the additional rate of 45% and elect to receive new shares will be subject to income tax at the dividend additional rate of 37.5% on the amount of gross income treated as having been received. The 10% income tax deemed to have been paid can be set off against part of that liability, thereby reducing the liability to 27.5% of the amount of gross income treated as having been received (which is approximately 30.6% of the cash equivalent of the new shares).

#### Capital Gains Tax

For capital gains tax purposes, if an election to receive new shares instead of a cash dividend is made, then the cash equivalent of the new ordinary shares (as described above) will be treated as being the base cost of the new shares.



**16.2 UK resident trustees****Income Tax**

Where trustees of discretionary trusts, who are liable to income tax on dividend income at the dividend trust rate (currently 37.5%), elect to receive new shares and treat such shares as income, they will be liable to income tax. For the purposes of charging this income tax, the trustees will be treated as having received gross income which, when reduced by income tax at the rate of 10%, is the same as the cash equivalent (as defined above) and as having paid income tax of 10% on the amount of this gross income. The 10% income tax deemed to have been paid can be set off against part of that liability, thereby reducing the liability to 27.5% of the amount of the gross income treated as having been received (which is equal to 30.5% of the cash equivalent amount).

Where trustees of an interest in possession trust (where the beneficiary with an interest in possession is entitled to the trust income) elect to receive new shares and treat such shares as income, the trustees will be treated as having paid income tax of 10% on the gross income (as described above) that they have received and will have no further income tax liability. The tax position of a beneficiary entitled to the trust income who is a UK tax resident individual will be as set out in the section headed 'UK resident individual shareholders' above.

Where the trustees of either type of trust elect to receive new shares and treat such shares as capital, the trustees will not have any further income tax to pay. The beneficiary will not be entitled to the shares (and will have no income tax to pay).

If the new shares are held in a bare trust or in the name of a nominee, the trustee or nominee will be disregarded for the purposes of income tax and the tax position of the beneficiary entitled to the shares will be as set out in the section headed 'UK resident individual shareholders'.

**Capital Gains Tax**

Where trustees of discretionary trusts, where no beneficiary is entitled to the trust income, elect to receive new shares and treat such shares as capital, such shares will constitute a new holding of shares in the Company acquired for the cash equivalent in the manner described in the section headed 'UK resident individual shareholders' above.

Where trustees of an interest in possession trust (where the beneficiary with an interest in possession is entitled to the trust income) elect to receive new shares and treat such shares as income, a beneficiary entitled to the trust income who is a UK tax resident individual, is treated for capital gains tax purposes as having acquired the new shares for the cash equivalent, in the manner described in the section headed 'UK resident individual shareholders' above.

Where trustees of an interest in possession trust (where the beneficiary with an interest in possession is entitled to the trust income) elect to receive new shares and treat such shares as capital, the shares will be added to the trustees' existing holding of shares in the Company and treated as though they had been acquired when the existing holding was acquired. However, the trustees will not be considered to have made any payment for the new shares, so there will be no increase in base cost.

If the new shares are held in a bare trust or in the name of a nominee, the trustee or nominee will be disregarded for the purposes of capital gains tax and the tax position of the beneficiary entitled to the shares will be treated as having acquired the new shares for the cash equivalent, in the manner described in section 16.1 above.

**16.3 UK resident companies**

A corporate shareholder is not generally liable to corporation tax on cash dividends and will not be charged corporation tax on new shares received under the Scheme instead of a cash dividend. For the purposes of corporation tax on chargeable gains, no consideration will be treated as having been given for the new shares. These new shares will be added to the corporate shareholder's existing holding of shares in the Company and treated as having been acquired when the existing holding was acquired. On disposal of the new shares, the base cost of the new shares will be calculated by reference to the base cost of the existing holding.

**16.4 UK pension funds**

Where pension funds elect to receive new ordinary shares under the Scheme, no tax credit will attach to the new shares and no tax repayment claim can be made in respect of them, nor could such a claim be made in respect of the cash dividend.

**16.5 Stamp duty/stamp duty reserve tax**

No stamp duty or stamp duty reserve tax will be payable on the receipt of new shares under the Scheme provided they are not transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts.

## Contacts

For general enquiries about the Scheme, please contact Capita Asset Services.

## Glossary

**Articles** the Articles of Association of the Company

**Capita Asset Services** is a trading name of Capita Registrars Limited

**CREST** the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI/3755)) in respect of which Euroclear UK & Ireland Limited is the operator

**Directors** the directors of National Grid plc

**London Stock Exchange** the London Stock Exchange plc

**National Grid** or **Company**, National Grid plc

**new shares** new ordinary shares issued under the Scheme

**ordinary shares** ordinary shares of 11<sup>17</sup>/<sub>43</sub> pence each in the capital of the Company

**Scrip Dividend Mandate** or **Mandate Form** a mandate (in a form provided by the Company) from a shareholder to the Directors to allot new shares under the terms of the Scheme in lieu of a cash dividend to which they may become entitled from time to time

**Scrip Dividend Scheme** or **Scheme** the National Grid plc Scrip Dividend Scheme as comprised under and subject to the terms and conditions contained in this document as amended from time to time

**Scrip Election Date** the latest date for receipt of Mandate Forms or CREST Dividend Election Input Messages to enable a scrip dividend election to apply for a particular dividend

**shareholder** a holder of ordinary shares in the capital of the Company

**share portal** the National Grid share portal, [www.nationalgridshareholders.com](http://www.nationalgridshareholders.com)

# National Grid share portal

## Manage your shareholding wherever and whenever



- Register your AGM votes
- Sign up for electronic communications to receive email communications and electronic tax vouchers instead of paper
- Choose to receive your dividends in shares, via our scrip dividend scheme
- Have your dividends paid directly to your bank or building society account instead of receiving cheques
- Update your address details

It only takes a few minutes to register, just visit [www.nationalgridshareholders.com](http://www.nationalgridshareholders.com) and have your 11 digit investor code (IVC) to hand.

## Your dividend options

### Have your dividends paid directly into your bank or building society account

- Your dividend reaches your account on the payment date
- It is more secure – cheques sometimes get lost in the post
- No more trips to the bank

### Receive your dividends as additional shares

- Join our scrip dividend scheme
- No stamp duty or commission to pay

### Local currency dividend payments

- If you live outside the UK, you may be able to request that your dividend payments are converted into your local currency.



For more information about your dividend options or for terms and conditions of any of the services offered, please contact Capita Asset Services or, if you are attending the AGM, please speak to a representative from Capita Asset Services.

## Want more information or help?

Capita Asset Services can help with shareholding queries and can provide you with a copy of the Notice of Meeting, Annual Report and Accounts, Shareholder Information leaflet (previously the Performance Summary) or a paper proxy card.

Alternatively all these documents (except the proxy card) are available at [www.nationalgrid.com](http://www.nationalgrid.com).



### Capita Asset Services

0871 402 3344

Calls cost 8p per minute plus network extras. Lines are open 8.30am to 5.30pm, Monday to Friday, excluding public holidays. If calling from outside the UK: +44 (0)20 7098 1198. Textphone: 18001 0871 664 0532.



### Online

Visit the National Grid share portal [www.nationalgridshareholders.com](http://www.nationalgridshareholders.com)



### Email

[nationalgrid@capita.co.uk](mailto:nationalgrid@capita.co.uk)

or write to:  
National Grid Share Register  
Capita Asset Services,  
The Registry,  
34 Beckenham Road,  
Beckenham,  
Kent BR3 4TU