Doing Right Now

Transforming our network

We are rewiring the Capital, reinforcing London's electricity supply for decades to come. A six-year, £1 billion project in South London via 19 miles (30 kilometres) of deep underground tunnels.

Corporate Governance Report

Governance at a glance

Key highlights

98%

Board meeting attendance for the year ended 31 March 2022

46%

female representation on our Board as at date of report

15%

ethnic minority representation on our Board as at date of report

66%

Average % of issued share capital voted at 2021 AGM

78%

employee engagement score for 2021/22

50.97p

dividend per ordinary share in 2021/22 Increase of 3.7% on prior year

100

perfect score on Human Rights Campaign Foundation's 2022 Corporate Equality Index

4

Board members appointed in 2021/22

99%

shareholder vote **'For'** 2021 AGM resolution on climate change commitments and targets

UK Corporate Governance Code – 2021/22 Compliance Statement

The Company is subject to the Principles and Provisions of the UK Corporate Governance Code (the 'Code'), which it has applied consistently. The table below outlines how the Group has structured the Governance section of the Annual Report on the Principles of the Code.

For the year ended 31 March 2022, the Board considers it has complied in full with the Provisions of the Code.

This Corporate Governance report as a whole explains how the Company has applied the Principles and complied with the Provisions of the Code, but the below acts as a guide to where the most relevant explanations are given:

Principles of the Code

Chair's statement

Dear shareholders,

I am pleased to present to you the 2021/22 Corporate Governance Report, my first as Chair of the Company.

The year in review

There has been no shortage of opportunities for engaged governance by the National Grid Board. The Company had a full agenda coming into the fiscal year: overseeing performance amidst a lingering pandemic and then the safe return to work; ensuring that our provision of service is consistent with society's expectations of us; advancing our agenda of change as we make commitments to reach net zero; seeing through several major transactions; and supporting an evolving Group culture of accountability, agility and performance. The foregoing promised a busy year. Over the summer of 2021, a crisis in the retail energy markets in the UK began to unfold. Leading up to COP26, there were increasing pressures on both sides of the Atlantic for more rapid decarbonisation of energy. Then the threats of war became a stark reality. Ukraine was invaded and, almost overnight, energy supply security became the dominant theme. Our stakeholders have to be assured that we can identify and manage all of these risks. At the same time, we have to help balance aspirations regarding transformation with the exigencies of current delivery. All of these responsibilities are our job as board members, along with ensuring that we have a qualified, engaged, diverse workforce to succeed amidst an era of great change.

My tenure as Chair commenced as directors were nearing or had completed their nine-year terms. Identifying suitable qualified replacements who could quickly come up to speed and yet bring fresh perspectives was essential. Fortunately, a well-vetted business plan was already in place and the change in board composition was orderly. We were able to quickly review Committee remits and composition and to refine the responsibilities and ownership of the Committees where much of the Board's work is undertaken.

Nevertheless, one thing I've observed in my years as a Non-executive Director is that operationally urgent matters can easily overtake consideration of truly important matters in a busy board agenda. So last summer, our Board took the time for what I believe was a critical set of conversations – namely coming to agreement on what were the big strategic questions that National Grid was likely to face in the next several years. We asked ourselves, what topics would be worthy of the Board's time? Why were they important? How would we get the most salient information? Which external and internal resources would be available to shape our perspectives? These questions may appear simplistic. But in my experience, effective stewardship starts by making sure that a board spends time on the matters that really count. I hope to use this report as a means to share with you some of the issues we are tackling in our Board discussions.

None of the foregoing has any meaning unless we cast a critical eye on our own performance. We have adopted board goals and we retained an independent advisor to help us assess our group effectiveness as well as the effectiveness of each director; see page 97 for further detail. These honest conversations on how we are doing are foundational to our being the kind of board which you can entrust the stewardship of your Company.

Board composition

As you will have noted, several distinguished Board members reached the end of their terms in the year. Sir Peter Gershon, previous Board Chair until I assumed the role when he stepped down on 31 May 2021, is a distinguished businessman and advisor to government, known for his laser-like focus on productivity and performance. Dr. Paul Golby, a member of the Royal Academy of Engineering, has deep, relevant experience across the power sector, and contributed immeasurably to all the technical and strategy decisions the Company has made during his tenure. Mark Williamson, with a long career in finance, has wisely counselled on our financial and controls framework, as well as being the trusted Senior Independent Director, and Nicola Shaw, a key member of the management team in the role as UK Executive Director since 2016. All four retired from the Board in 2021. Jonathan Dawson, who will leave the Board at the AGM, has been the independent voice for the alignment of strategy and reward. In addition, Amanda Mesler, who has been a member of our Board for the last four years, has decided not to stand for re-election. Amanda was a great supporter of the investments in technology that have proved invaluable over these last several years. On behalf of my Board colleagues, I express my appreciation to all of them.

Nevertheless, from this loss comes opportunity. We have been fortunate to have recruited five new directors who bring fresh perspectives and diverse experience to the Board. Ian Livingston, former Chief Executive of BT, comes with the battle scars of industry transformation and expertise in finance. Tony Wood, a sitting CEO and a member of the Royal Academy of Aeronautical Engineering, brings the perspective that safety, productivity and innovation are not to be traded off, but must be driven apace in lock-step. Martha Wyrsch has worked directly in the energy sector in all its aspects – power, natural gas, and renewables, regulated and unregulated. She brings wisdom and practical advice to the boardroom. Anne Robinson, an active executive in one of the largest asset management companies in the world, has substantial business and transactional experience and, in her current role, the most relevant background in ESG that we could imagine. Iain Mackay, who is joining the Board upon election at this AGM, is a sitting CFO with experience in industry prior to joining the fast-paced world of pharmaceuticals. These new Directors, along with those who continue to serve, bring strategic thoughtfulness, engagement, constructive challenge, independence and gravitas to our deliberations. As a group, they demonstrate our continued commitment to diversity on our Board and within National Grid's organisation overall.

Stakeholder engagement

Whilst virtual engagement has become the norm over the past two years, it has been a great pleasure to resume in-person engagement in recent months. One can get an authentic sense of what is going on within an organisation or with society at large by meeting people, listening to how individuals and groups have fared, and seeing first-hand the challenges on the ground. In recent months, Board members have undertaken site visits. We have also had virtual and in-person engagement sessions throughout the year with employees. Page 96 provides more detail.

Annual General Meeting

Last year I was one of the many individuals affected by COVID-19 travel restrictions and was unable to participate in the 2021 AGM in person. Given the situation at the time, we did not encourage attendance by any shareholder. For our 2022 meeting, we revert to business as usual but with another option. I'm pleased to share that we are offering the opportunity for you to participate in a 'hybrid AGM'. You will be able to join the meeting online and yet be able to participate in live voting and the Q&A session, as if you were in the room. Please note, too, that we are putting to vote for the first time our Climate Transition Plan this year. The discussion of this resolution should illuminate National Grid's resolve to move to net zero and to provide metrics by which we can all track progress. Further details on this are outlined in the Notice of Meeting for the AGM and on the Company's website.

Looking forward

Your Board will continue to focus on the key issues, challenge the Group's leadership, and collectively seek to make wise decisions. In an ever-changing world, we pledge to you that whatever lies ahead, we have the best interests of your Company, its customers, and its people central to our deliberations.

Paula Rospud Reynolds

Paula Rospud Reynolds
Chair

Our Board

Paula Rospud Reynolds (65)
Chair

Appointed: 1 January 2021 as Chair Designate and Chair with effect from 31 May 2021

Tenure: 1 year

Skills and competencies: Paula's strong business acumen is shown by her impressive track record of leading complex international businesses. In her board and leadership roles, Paula has demonstrated her decisive and pioneering nature, which will be crucial in moving National Grid's vision forward, as it embarks on its journey to enable the clean-energy transition and net zero by 2050. Her knowledge of the energy market and experience supporting organisations through transitional periods is an asset to the Board, as National Grid continues to grow and embrace opportunities. Paula is Chair of the People & Governance Committee and the high-calibre appointments made under Paula's leadership in the last year are pivotal in ensuring the succession and composition of the Board matches the culture, strategy and leadership needs of the Company. These skills combined with her insight into strategic and regulatory issues support her in leading and governing an effective board.

External appointments:
- Senior Independent Director and Chair of the Remuneration Committee at BP p.l.c.
- Non-executive Director of General Electric
- President and CEO of PreferWest LLC
- Member of UK Prime Minister's Business Council

John Pettigrew FEI FIET (53)
Chief Executive

Appointed: 1 April 2014 and Chief Executive with effect from 1 April 2016

Tenure: 8 years

Skills and competencies: John joined the Group as a graduate in 1991, progressing through many senior management roles and demonstrating a strong track record of developing and implementing global strategies for profitable growth. John contributes widely into external industry discussions shaping energy policy and brings significant know-how and commerciality to his leadership of the executive team and management of the Group's businesses.

John continues to lead the implementation of the Group's strategy. This year he progressed the Company's strategic pivot, including the integration of WPD and the successful sale of a majority stake in our UK Gas Transmission business. He also led the Company's Principal Partnership of COP26 in Glasgow.

External appointments:
- Non-executive Director and Senior Independent Director of Rentokil Initial plc
- Member of the UK Government's Inclusive Economy Partnership
- Member of the Electric Power Research Institute Board
- Member of the CBI's President's Committee
- Member of the Edison Electric Institute Executive Committee

Jonathan Dawson (70)
Non-executive Director; Independent

Appointed: 4 March 2013

Tenure: 9 years

Skills and competencies: Jonathan, through his broad range of expertise within the finance and pensions sector, brings significant in-depth understanding in remuneration and financial matters to the Group. Jonathan previously held positions as Chairman of the Remuneration Committee and Senior Independent Director of Next plc and Chairman of the Audit & Risk Committee and Senior Independent Director at Jardine Lloyd Thompson Group plc.

As a Non-executive Director, Jonathan brings an innovative perspective, scrutiny, constructive challenge and independent oversight to the Board.

External appointments:
- Chairman of River and Mercantile Group plc
- Chairman and a founding partner of Penfida Ltd

Thérèse Esperdy (61)
Non-executive Director and Senior Independent Director; Independent

Appointed: 18 March 2014

Tenure: 8 years

Skills and competencies: Thérèse has significant international investment banking experience, having held a variety of leadership roles spanning 27 years. Her career began at Lehman Brothers and in 1997 she joined Chase Securities and subsequently JPMorgan Chase & Co, where she held a number of senior positions. With a distinguished career in the investment banking sector, Thérèse brings significant banking, strategic and international financial management expertise and knowledge of financial markets to the Board and to her role as Chair of the Finance Committee.

Thérèse's specialist knowledge combined with her sharp and incisive thinking enables her to contribute to, and constructively challenge on, a wide range of Board debates.

External appointments:
- Chair of Imperial Brands PLC
- Non-executive Director of Moody's Corporation

Group General Counsel & Company Secretary

Justine Campbell (51)
Group General Counsel & Company Secretary

Appointed: 1 January 2021

Tenure: 1 year

Skills and competencies: Justine trained and qualified as a lawyer at Freshfields in London and Brussels. She has held senior executive positions at several multi-national companies and is an experienced lawyer with particular expertise in regulated sectors.

She is responsible for safety, legal, risk, compliance and governance activities across the Group, the effective operating of National Grid plc's Board and Committees and advising on key issues of corporate governance.

External appointment:
- Member of the GC100 Group Executive Committee

Andy Agg (52)
Chief Financial Officer (CFO)

Appointed: 1 January 2019

Tenure: 3 years

Skills and competencies: Andy trained and qualified as a chartered accountant with PwC and is a member of the ICAEW. He has significant financial experience, having held a number of senior finance leadership roles across the Group, including Group Financial Controller, UK CFO and Group Tax and Treasury Director. Andy brings in-depth knowledge of National Grid, in both the UK and the US, and has broad experience across operational and corporate finance roles. He contributes broadly on a wide range of topics at Board, Finance and Audit & Risk Committee meetings and has been instrumental in achieving the successful sale of a majority stake in our UK Gas Transmission business during the year.

External appointments:
- Member of The 100 Group Main Committee and Chair of the Tax Committee

Liz Hewitt (65)
Non-executive Director; Independent

Appointed: 1 January 2020

Tenure: 2 years

Skills and competencies: Liz qualified as a chartered accountant with Arthur Andersen & Co. In her executive career she worked in private equity for 3i Group plc, Gartmore Investment Management Limited and Citicorp Venture Capital Ltd gaining insights into a wide variety of industries. Her work at Smith & Nephew gave her global insight. She was seconded for a year to HM Government. Liz has extensive experience as an audit committee chair and as a member of nominations and remuneration committees. She is considered to be a financial expert in the context of audit committee work. Her broad industrial and global experience and her financial knowledge bring a wide perspective to her role as Chair of the Audit & Risk Committee and in Board discussions and decision-making.

External appointments:
- Director of Silverwood Property Limited
- Non-executive Director of St George's Fields Limited; and of St George's Fields No.2 Limited

Ian Livingston (57)
Non-executive Director; Independent

Appointed: 1 August 2021

Tenure: Less than 1 year

Skills and competencies: Ian is a chartered accountant who qualified with Arthur Andersen & Co and went on to become the youngest FTSE 100 CFO when appointed to the Dixons Group plc Board. Ian brings a wealth of experience to National Grid, having held both CFO and CEO positions in large, high-profile public companies operating in the UK and internationally. He has extensive experience of operating in a regulatory environment and is widely regarded in both the corporate and financial world for his record of consistently achieving enhanced shareholder value. Ian is Chair of the Remuneration Committee, where he brings significant experience and broad business perspective to discussions. He has a variety of non-commercial interests and involvement with a number of charities in education and social care.

External appointments:
- Chair of Currys plc (until 8 September 2022)
- Non-executive Director of S&P Global

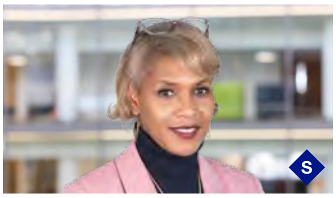
Amanda Mesler (58)
Non-executive Director; Independent

Appointed: 17 May 2018

Tenure: 4 years

Skills and competencies: Amanda brings to the Group extensive international leadership and general management experience from the technology and fintech sectors. She has over 27 years of experience at senior management and board level at large international companies. She led a $1 billion global practice at Electronic Data Services and has experience sitting on audit, risk and remuneration committees. Amanda provides an entrepreneurial perspective to the Board and valuable insight into the Company's increasingly important technical evolution.

External appointments:
- Non-executive Director of Amadeus IT Group S.A.
- Chair of Minna Technologies
- Advisor to Macquarie Capital



Anne Robinson (51)
Non-executive Director; Independent

Appointed: 19 January 2022

Tenure: Less than 1 year

Skills and competencies: Anne has over 20 years of legal experience in the financial services industry, where she has counselled senior executives on a wide range of legal, regulatory and business issues. Anne has worked throughout her career to champion diversity, equity and inclusion whilst being a strong advocate for sponsorship and mentorship of other women in the legal profession. Anne brings to the Board expansive and varied legal experience in the financial services and consulting fields as well as experience of working closely with boards and investors on a broad range of ESG issues. Anne earned a BS from Hampton University and a JD from Columbia University Law School.

External appointments:
- Managing Director, General Counsel, and Corporate Secretary of Vanguard
- Director of Minority Corporate Counsel Association
- Director of Children's Rights
- Millstein Center Advisory Board at Columbia Law School

Earl Shipp (64)
Non-executive Director; Independent

Appointed: 1 January 2019

Tenure: 3 years

Skills and competencies: With an extensive career in the chemicals industry and having held a senior leadership role in a safety-critical process environment, Earl brings significant safety, project management, environmental, sustainability and strategic expertise to the Board and its Committees, particularly in relation to safety management. This, along with his innovative way of thinking, enables Earl to contribute on a wide range of issues to Board and Committee debates and to effectively chair the Safety & Sustainability Committee.

External appointments:
- Non-executive Director of Olin Corporation
- Non-executive Director of Great Lakes Dredge and Dock Co.

Key

- A — Audit & Risk Committee
- F — Finance Committee
- P — People & Governance Committee
- R — Remuneration Committee
- S — Safety & Sustainability Committee
- E — Group Executive Committee
- ◆ Committee Chair

Other changes during the year:

Sir Peter Gershon, Paul Golby and Mark Williamson stepped down as Non-executive Directors on 31 May 2021, 26 July 2021 and 31 December 2021 respectively.

Nicola Shaw stepped down as Executive Director on 26 July 2021.

Biographies as at 18 May 2022

Jonathan Silver (64)
Non-executive Director; Independent

Appointed: 16 May 2019

Tenure: 3 years

Skills and competencies: Jonathan has considerable knowledge of the US-regulated energy environment, experience and understanding of integrating public policy and technology into a utility as well as a strong background in finance. Previously, Jonathan was the head of the US government's $40 billion clean energy investment fund. Jonathan's strong background in finance and government policy along with his long career at the intersection of policy, technology, finance, and energy brings innovative and positive insight to the Board's policy discussions and to its interaction with management.

External appointments:
- Independent Director of EG Acquisition Corp.
- Senior Advisor to Guggenheim Partners
- Director of Plug Power Inc.
- Director of Intellihot Inc.

Tony Wood (56)
Non-executive Director; Independent

Appointed: 1 September 2021

Tenure: Less than 1 year

Skills and competencies: Tony has proven business leadership credentials as an experienced CEO, and brings to the Board significant engineering experience. He is currently CEO of Meggitt plc and has led the operational and cultural transformation of the company, transitioning from an industrial holding structure to a focused and customer-led business, leveraging technology investment.

Tony also held the position of President of the aerospace division at Rolls-Royce, during which time he developed a strong reputation as an operator, turning around and growing several challenging business units and internationalising the company's footprint.

External appointments:
- CEO of Meggitt PLC
- Director of ADS Group Limited

Martha Wyrsch (64)
Non-executive Director; Independent

Appointed: 1 September 2021

Tenure: Less than 1 year

Skills and competencies: Martha has held a number of senior positions in the energy industry and has significant experience of the US market, having been a Fortune 100 General Counsel and CEO of a major international gas-transmission business, as well as leading the growth and development of Vestas' renewables business in the US.

As an accomplished director for publicly listed companies, in both the UK and the US, Martha brings to the Board relevant experience across the renewable energy sector, as well as a strong understanding of the US regulatory environment, bringing enriching discussion and strategic thought to the Board.

External appointments:
- Independent Director of Quanta Services, Inc.
- Independent Director of First American Financial Corp.
- Advisor to Summit Carbon Solutions

Governance refresh

We reviewed our governance framework during the year to more closely align with National Grid's purpose, vision and values following the strategic repositioning of the Company's portfolio, the continued refreshment of the Board and to better facilitate us to progress our sustainability and climate change agenda. All Committee changes were effective 1 September 2021.

Committees:
The **Safety & Sustainability Committee** (previously the Safety, Environment & Health Committee) expanded its remit to increase focus on sustainability strategy and related external disclosures. This allows the Committee to have the in-depth discussions required on these topics with Board members best placed to provide insight and overview, enabling the Committee to review specific safety- and sustainability- related risks and providing a greater oversight of related Group Principal Risks. The Committee report is on page 106.
The **Audit & Risk Committee** (previously the Audit Committee) repositioned to give a greater focus to risk with increased time now spent reviewing principal, emerging and child risks in relation to the Company's risk management and controls processes. The Committee report is on page 101.
The **People & Governance Committee** (previously the Nominations Committee) expanded its remit to focus further on wider succession within the organisation as well as core governance issues such as the workforce engagement programme for the year. The Committee report is on page 99.
All Committee compositions were reviewed and revised to ensure a suitable spread of skills and experience that complement the revised remit of our Committees, details of which can be found in each Committee report.

Governance processes: our review extended to refreshing the Board Governance document to ensure this reflected the wider Committee remits and clear Chair and CEO roles. We moved from eight scheduled Board meetings annually to six meetings made possible through reviewing our cadence of reporting and Board pack materials with an efficiency programme introduced to ensure that reporting is as effective and concise as possible. This allows greater time at Board meetings to focus on goals, priorities and strategic topics, enabling quality discussion to deliver our strategy. The Board will continue to review its framework annually to satisfy itself that it continues to be best aligned to the Company's purpose and strategy.
Group Executive Committee: supports the CEO's decision making. To do this, the roles of the overall Committee and supporting sub-committees were refreshed to provide a more optimal way to communicate and understand key business information – specifically, having the right people discussing the most relevant topics in the sub-committees, enabling better decision making at the top of the organisation.

Board composition and roles

Our Board comprises of a Non-executive Chair (independent on appointment), two Executive Directors (CEO and CFO), and 10 independent Non-executive Directors, as at the date of this report. There is a clear division of responsibilities between the Chair and CEO, reflected in the Board Governance document available on our website. A list of our Directors' biographies can be found on pages 88 and 89.

Our Chair sets Board meeting agendas and ensures the Board receives accurate, timely and clear information to monitor, challenge, guide and take sound decisions. She is responsible for promoting a culture of open debate between Executive and Non-executive Directors. Our Chair also facilitates effective communication with shareholders and other stakeholders and promotes high standards of corporate governance, ensuring Directors understand the views of the Company's shareholders and other key stakeholders, and their duties under section 172 of the Companies Act.
Our Chief Executive is responsible for the executive leadership and day-to-day management of the Company, to ensure the delivery of the strategy agreed by the Board.
Our Chief Financial Officer is responsible for providing strategic financial leadership to the Company and for the day-to-day management of the finance function.
Our independent Non-executive Directors are responsible for contributing sound judgement and objectivity to Board deliberations and the overall decision-making process, providing constructive challenge, and monitoring the Executive Directors' delivery of the strategy within the Board's risk and governance structure.
Our Senior Independent Director provides a sounding board for the Chair and serves as a trusted intermediary for the other Directors, as well as shareholders, as required. She meets with the Non-executive Directors (without the Chair present) when necessary and at least once a year to appraise the Chair's performance and communicates the results to the Chair and People & Governance Committee.
Our Group General Counsel & Company Secretary has responsibility for ensuring the effectiveness of the Company's governance framework. All Directors have access to her advice.

Independence and time commitment

We monitor and note potential conflicts of interest that each Director may have and recommend to the Board whether these should be authorised and if any conditions should be attached to such authorisations. Directors are reminded regularly of their continuing obligations in relation to conflicts and review and confirm their external interests at least annually. This is then used to consider whether each Director continues to be independent. Following due consideration, the Board determined that all Non-executive Directors continued to be effective and independent in both character and judgement in their roles. The table below sets out Director attendance at Board meetings during the year to 31 March 2022.

Director	Attendance	Director	Attendance	Director	Attendance
Paula Rosput Reynolds ◆	10/10	Ian Livingston	5/5[2]	Martha Wyrsch	4/4[2]
John Pettigrew	10/10	Amanda Mesler	10/10	**Former Director**	
Andy Agg	10/10	Anne Robinson	2/2[2]	Sir Peter Gershon	2/2[3]
Jonathan Dawson	10/10	Earl Shipp	9/10[1]	Nicola Shaw	4/4[3]
Thérèse Esperdy	10/10	Jonathan Silver	9/10[1]	Paul Golby	4/4[3]
Liz Hewitt	9/10[1]	Tony Wood	4/4[2]	Mark Williamson	8/8[3]

◆ Board Chair
1. The Directors noted were unable to join due to conflicting commitments. The meetings in question were ad hoc and scheduled at short notice. Where possible, all Board members who were unable to attend a meeting provided comments to the Chair in advance of the meeting.
2. The Directors noted were appointed during the year and the attendance is based on available meetings from appointment.
3. The Directors noted resigned during the year and the attendance is based on available meetings before resignation.

How the Board operates
Board and Committees

Board of Directors

To operate efficiently and give the right level of attention and consideration to relevant matters, the Board delegates authority to its Board Committees. Each Committee Chair reports to the Board on their Committee's activities after each meeting.

Key matters considered by the Board include:

- establishing the organisation's vision, mission and purpose;
- the Company's strategy and long-term strategic objectives;
- risk appetite and determination of Group Principal Risks;
- overall corporate governance arrangements;
- systems of internal control and risk management;
- ensuring legal compliance and ethical integrity;
- annual business plan and budget;
- significant changes in capital structure;
- ensuring the Company has adequate resources and that resources are managed responsibly;
- succession planning for Board and senior management;
- half-year and full-year results statements, Annual Report and Accounts and other statutory announcements;
- oversight of the Company's response to major crises and other significant challenges;
- oversight of material ESG issues;
- recruiting new Board members and assessing Board performance;
- enhancing the organisation's public standing and;
- determination of the framework or policy for the remuneration of the Chair, Chief Executive, Executive Directors, Group General Counsel & Company Secretary, and direct reports to the Chief Executive, following recommendation from the Remuneration Committee.

Audit & Risk Committee

- Financial reporting.
- Internal controls, risk management and external compliance.
- Corporate audit.
- External audit and assurance.
- ESG and climate change related disclosures.

People & Governance Committee

- Board and Committee composition.
- Succession planning.
- Board appointments.
- Workforce engagement.

Remuneration Committee

- Consideration and implementation of Remuneration Policy.
- Consideration and exercise of discretion.
- Incentive design and setting of targets.

Finance Committee

- Financing policies and decisions.
- Credit exposure.
- Hedging.
- Foreign exchange transactions.
- Tax strategy and policy.
- Guarantees and indemnities.

Safety & Sustainability Committee

- Safety, health and sustainability strategy and policies.
- Performance targets.
- ESG and climate change- related targets, disclosures and action plans.

Group Executive Committee

- Oversees the safety, operational and financial performance of the Company. It is responsible for making the day-to-day management and operational decisions it considers necessary to safeguard the interests of the Company and to further the strategy, business objectives and targets established by the Board.
- Delegates authority to a number of sub-committees.
- Members have a broad range of skills and expertise that are updated through training and development. Some also hold external non-executive directorships, giving them valuable board experience. Those members of the Committee who are not directors regularly attend Board and Committee meetings for specific agenda items.

Sub-committees and other management committees

Safety, Health & Sustainability Executive Sub-Committee; Ethics, Risk & Compliance Executive Sub-Committee; Reputation & Stakeholder Executive Sub-Committee; Policy & Regulation Executive Sub-Committee; Investment Committee; Disclosure Committee; Employee Share Schemes Sub-Committee.

Our Group Executive Committee

Two Executive Directors are members of the Group Executive Committee, as well as being on the Board. The Group General Counsel & Company Secretary is also a member of the Group Executive Committee. See their biographies on page 88 – 89.

Full biographies for the Group Executive Committee are available at: nationalgrid.com

Governance structure

The schedule of matters reserved for the Board and terms of reference for each Board Committee are available in our Board Governance Document at: nationalgrid.com

Reports from each of the Board Committees, together with details of their activities, are set out on pages 99 – 131.

Corporate Governance overview continued

Board focus during the year

Our Board is collectively responsible for the effective oversight of the Company and its businesses. It determines the Company's strategic direction and objectives, business plan, dividend policy, viability and governance structure to help achieve long-term success and deliver sustainable shareholder value. The Board also plays a major role in setting and leading the Company's culture and wider sustainability goals. It considers key stakeholders in its decision making and, in doing so, ensures that Directors comply with their duty under section 172 of the Companies Act 2006.

Our stakeholders considered in Board discussions

Colleagues | Investors | Regulators | Communities | Customers | Suppliers

Key matters considered	Outcome
Strategy	
Oversight and execution of several major strategic transactions	Following the strategic pivot in the UK portfolio towards electricity with last year's acquisition of WPD and the proposed sale of NECO and a majority stake in UK Gas Transmission, it was paramount that the Company continue to execute the current strategic pivot and transactions successfully. The Board maintained oversight of the transactions at every meeting and was updated on the progress of the integration of WPD into the Group and status of the NECO and UK Gas Transmission sales including key challenges and risks. In March 2022, the Board approved the delegation to a sub-committee to approve the transaction for the sale of a majority interest in UK Gas Transmission and our Metering business to a consortium comprised of Macquarie Asset Management and British Columbia Investment Management Corporation. In March 2022, the Board also approved the sale of National Grid's interest in St William Homes LLP, to its joint venture partner, The Berkeley Group plc.
Strategic priorities and Board performance	With the addition of new Board members and the dynamic external environment, the Board established an agenda to review each business unit to understand its current performance, regulatory structure, financial framework, culture and our future strategy. The Board deliberated how to spend its time throughout the year by identifying key areas for strategic discussion. The Board set goals for itself to ensure clarity of direction at every meeting. External insights were also provided throughout the year: • the Board heard from an expert in UK energy policy and discussed the challenges of the energy transition; • the Chief Economist at bp plc provided energy forecasts and insights on the energy transition; and • the CEO of Tennet (a leading European electricity transmission system operator) gave perspectives on the opportunities associated with developing offshore transmission in the UK and North West Europe. The Board also met with the New York Independent System Operator, the Chair and CEO of Ofgem, and the representatives of the business community in New York to discuss key issues, challenges and to hear their perspectives. The Board were also briefed by brokers in the year.
Our commitment to reach net zero	In the year, the Board discussed ESG matters, including key strategic enhancements to keep pace with stakeholder expectations and to be aligned with commitments as a responsible business. The Safety & Sustainability Committee and the Audit & Risk Committee reviewed climate change reporting disclosures, within their respective remits. The Board approved the Climate Transition Plan in May 2022 – ahead of the 2022 AGM. See the Remuneration Committee report on how we have linked ESG to Director remuneration at page 108.
Enrichment sessions	Outside of Board meetings, Directors joined additional sessions with our Strategy team to learn more on emerging topics including heat pump technology, CCUS and prospects for hydrogen. The Board also met out of cycle in April 2022 for a focused session looking at the disclosures required by the Company in relation to ESG. The Board also received a briefing on key energy policy announcements and energy security decisions being made in the UK.

Key matters considered	Outcome
Business Plan and financial performance	
Aligning the Strategic Business Plan and budget to the strategy	In the year, the Board discussed and approved the Strategic Business Plan, to promote alignment of financial performance and strategy. It further reviewed a five-year view of the Group which incorporated portfolio changes. In June 2021, the Board received the budget revision, reflecting the impact of portfolio changes and the changes to the operating model on the Group's targets.
Dividend	Since approval in January 2021, it was agreed that from FY21/22 the Company would seek to grow the dividend in line with CPIH, reflecting a move from RPI to CPIH in the UK regulated businesses. The Board considered the dividend policy at its November 2021 and May 2022 meetings and approved the proposed interim and final dividend payments.
RIIO-T2 financial structure	During the year, the Board reviewed the RIIO-T2 framework and how the Company will align its approach to operations given the change in regulatory incentives. Following the acquisition of WPD, the Board discussed and approved the RIIO-ED2 business plan for submission in December 2021 and received updates on the ongoing process.
Political and regulatory environment	
Impacts on the UK energy market	Throughout the year, the Board was updated on the disruption in the UK market as retail suppliers began to fail and how National Grid was responding. In early 2022, the Board was briefed on how the crisis in Ukraine could potentially affect the UK and the wider energy environment. As the conflict continued, the Board continued to be briefed on the significant impacts on the UK energy market, including the high and volatile prices, impact on consumers and direct impacts on the Company. The Board continued to have oversight of the impact on affordability and UK Security of Supply, cyber security and potential cost recovery.
UK RIIO-T2 price control	During the year, regular updates were provided on the RIIO-T2 price control appeal process and the holistic five-year strategy to deliver RIIO-T2 in ET. Early in the year, the Board challenged the Company's response to the provisional determinations and following the submission of a technical appeal to the Competition and Markets Authority (CMA) around the RIIO-T2 cost of equity and outperformance wedge; the CMA found in favour of our arguments on the outperformance wedge.
US	The Board reviewed the current US regulatory structure, including the current regulatory and financial frameworks in place and core components of the US regulatory framework and the performance profile of the US business. Twice in 2021, the Board met with the Monitor who was overseeing gas capacity planning for New York. The Board reviewed the Long Term Capacity Report; the Company is compliant with the terms of settlement. The Board discussed the stakeholder engagement plan and key challenges and risks going forward. The Board noted the rate case agreements that had been completed for KEDNY, KEDLI and NMPC, and noted the filing of a plan with the Massachusetts Department of Public Utilities.

Key matters considered	Outcome
People and culture	
Evolution of the Group culture of accountability, agility and performance	The Board is responsible for monitoring and assessing both the culture of the Group and its alignment with the Company's purpose, values and strategy. These elements are vital to our long-term success as a Company, as the availability of resources and operating procedures require Board engagement inside and outside of the boardroom. You can read more about how the Board monitors culture on page 95.
Risk	
Review and approval of Group Principal Risks and emerging risks	During the year, the Board completed a review of the Company's risk appetite, principal risks and emerging risks and how we manage them. It was agreed to retire the disruptive forces risk and de-escalate the data management risk. In May 2022, the Board reviewed and approved the effectiveness of the Group's risk management system, following updates in the year from the Audit & Risk Committee and the Safety & Sustainability Committee on focused risks within their remit. You can read more about our risks on pages 28 – 32.
Governance	
Refreshing our governance framework	With so much change within the business and the rapidly changing external landscape, the Board reviewed the entire governance framework to ensure it remained fit for purpose. Committee composition and remit were refreshed and refined. You can read more about this on page 90.

Looking forward:

The Board will continue its focus on the strategic priorities, including monitoring the actions, milestones and timelines to deliver the strategy. We will continue using enrichment sessions outside of the regularly scheduled Board meetings to deepen the Board's working knowledge on selected topics. All Board members will also continue to undertake site visits to see the work of National Grid for themselves.

How the Board monitors culture

The Board plays a significant role in monitoring and assessing both the culture of the Group and its alignment with the Company's purpose, values and strategy.

The People & Governance Committee also plays a key role in keeping momentum in relation to management development and succession. This year, focus has been on executive development in particular. Although not all Board members sit on the People & Governance Committee, they have access to all Committee papers and regularly attend the People & Governance Committee meetings. The Chair reports back to the full Board following each meeting, which also provides the opportunity for full Board input and to ensure it is monitoring culture effectively.

There has been a vast amount of change both within the organisation and externally over the last few years. The importance of creating the right culture throughout the Company, to ensure our colleagues are embracing positive and inclusive behaviours and values in everything we do, has never been more important.

The Board assesses the Company's culture and the progress being made from two key data sources:

- lagging indicators from the Grid:voice survey and the Spencer Stuart culture diagnostic; and
- leading indicators taken from the culture change activity underway across the organisation.

The full Board joined the People & Governance Committee to discuss with Spencer Stuart matters including the context, backgrounds and updates to the work that the Company had been undertaking to identify and cultivate senior talent. The full Board reviewed the assessments undertaken against the methodology used to assess the talent pipelines.

Grid:voice employee survey

Our Grid:voice survey this year provided a set of strong results, with improvements in a number of areas including the 'Safe to Say' scores, which are six points higher than the high performing norm. This has demonstrated that there is an open culture within the organisation where individuals feel that they are able to express their views, opinions and concerns. The Board also monitors areas that are not as strong performing as others and tracks progress. Consideration in the year was also given to WPD's results, the first year that these had been included. There is focus required in this area to work to align the results with the rest of the organisation and the Board will monitor to ensure progress is achieved.

The biggest impact on colleague engagement and culture is line managers and the tone that is set from the top of the organisation. Recognising this, the Company's 'leadership index' sets expectations for leadership behaviour, and provides actionable insight for leaders to focus development that has a positive impact on their immediate team. 2022 was the third full 'leadership index' that has been created and demonstrated positive progress with a reduction in the number of leaders scoring below our target levels. This has highlighted the positive and significant impact our individual leaders across the organisation can have on their own behaviour.

Culture diagnostic

The culture diagnostic work has shown a clear shift towards our desired culture and in particular indicated that the characteristic of 'Caution' had moved downwards and 'Purpose' had moved upwards, demonstrating a significant step forward over the last 12 months. The strongest culture traits for the Group are now 'Purpose', 'Caring' and 'Order'.

Leading indicators of change

In addition to the quantitative data, the Board also monitors leading indicators of change. Throughout the year this has been through the results of the organisation's 'Living our Values Everyday' campaign, 'Untapped AI' personal development coaching activity and through the 'Team Effectiveness' facilitation programme.

Looking forward

Our culture diagnostic work will continue to progress with the next goal in this area to move the characteristics of 'Results' further up and move 'Order' down. The challenge will be to maintain the changes made around 'Purpose' and 'Caution', whilst focusing organisation-wide and everyday action change on becoming more 'Customer' and 'Performance' orientated. The Board will continue to spend considerable time on culture and monitor the progress in this area.

One of the Board's goals for 2022/23 is to ensure laser-like focus is on management succession, including a focus on continuous culture improvement.

For further information on culture, please see page 65.

Members of the Board visited the IFA interconnector site at Sellindge in March 2022. Following a catastrophic fire at the site in September 2021, the Board and Committees have had oversight of the investigation into the root cause. The site visit consisted of a tour of the facility and an overview of the damage and reparations. It also provided the opportunity for Board members to hear directly from employees and contractors on site.

Board engagement

Engagement is key to the Group's long-term success and the Board directly and indirectly engages with key stakeholders, ensuring it understands their interests and takes them into account in Board decision making. You can read the Board's section 172(1) statement on page 56.

Workforce engagement

Throughout the year we continued with our 'Full Board Employee Voice' approach, utilising and enhancing existing colleague engagement methods and communication channels to ensure meaningful engagement across all locations. The programme, overseen by the People & Governance Committee, monitors the effectiveness of the programme and reviews the chosen mechanism under the Code at least annually. The variety of engagement is a great way of building and maintaining trust and communication whilst providing our people with an appropriate forum to influence change.

In the year we shared a selection of short videos of our new Non-executive Directors with our colleagues to help familiarise them with their Board.

Board engagement programme

Small sessions These sessions make up the majority of the Board engagement programme in the year. They consist of around 10 individuals in attendance and a different subset of Board members. Attendees are coordinated by HR and are diverse across our workforce. Some of the sessions are open discussion with no set agenda whilst others have recommended topics; for example, in May 2022, our employees discussed our Climate Transition Plan and the new Remuneration Policy ahead of these going to the AGM for shareholder vote.

Employee Resource Groups (ERG) and high-potential employees The Chair met with multiple ERG leads and participated in a 'learning from leaders' session with the 'Women in National Grid' (WING) ERG. Our high-potential employees also had the opportunity to meet with the Board and share their views. This was a great opportunity for the Board to meet our high-potential employees informally and reconfirmed the need to actively support their career development, a topic very much on the People & Governance Committee's agenda for the year ahead.

Virtual 'town hall' Our Chair and CEO hosted a virtual town hall in January 2022 with a cross-section of the US workforce. Discussions included community engagement, diversity and inclusion, the clean energy transition and gas supply. This was one of the first opportunities for some of our colleagues to meet our Chair since she had been in role.

Committee focused These included an Audit & Risk Committee virtual session in January 2022 with US finance colleagues and a Finance Committee discussion with colleagues from the Pension, Tax, Financial Planning and Treasury teams in July 2021.

Engineering dinner Earl Shipp and Tony Wood attended a dinner in March 2022 to recognise engineers involved in world-leading Energy Transition projects including T-Pylons, the UK's new nuclear power station and the Storm Eunice response. The event provided the opportunity for individuals to discuss a range of topics including SF_6, engineering capability and the strategic direction taken by the Board.

Site visits It was really positive for Directors to be able to get back out on site following the COVID-19 pandemic, and this year saw optional visits scheduled around Board meetings. These vital engagement forums provided the opportunity for smaller groups of the Board to hear views from and see the workforce in action and included the IFA interconnector at Sellindge, the London Power Tunnels and WPD's control centre.

Feedback and decision making

Following all engagement, the Board takes the time to discuss the views of the workforce and takes these into consideration throughout wider Board discussions, a topic on each Board agenda going forward. Following feedback in the external Board evaluation this year, a set of 'ground rules' were re-established by the Board to increase transparency around engagement and to ensure that following any non-scheduled engagement events, views heard are captured and reported back to the boardroom or the CEO/CFO, where appropriate.

Looking ahead

The People & Governance Committee reviewed the engagement mechanism at its March 2022 meeting and agreed that the current approach remained the most appropriate mechanism. The variety of sessions provides a valuable link between our colleagues and the Directors, and we look forward to hearing more from our employees this year. As the world and priorities continue to evolve, we will continue to keep the overall approach under review and updated and refined as required.

Shareholder engagement

The Board is committed to maintaining good communications with existing and potential shareholders. The Company has a comprehensive investor relations programme where a range of key investors are met with in person or virtually at small meetings and larger investor roadshow events. The Board Chair also engages with large shareholders and the Remuneration Committee Chair engages specifically on remuneration practices.

Management also hosts webcasts for both our half-year and full-year results and takes questions from investors and analysts to ensure an open dialogue with the market. Presentations given to analysts and investors covering the Group's results, along with all results and other regulatory announcements as well as further information for investors, are included on the investor relations section of our website at nationalgrid.com/investors.

Further information on our engagement with our retail shareholders is set out on page 97 under Annual and General Meetings of shareholders.

Capital Markets Day In November 2021 we hosted our first Capital Markets Day. This was a hybrid event giving investors the opportunity to engage online or in person with key members of the Group Executive Committee and National Grid leaders. As part of this, we held a number of 'teach in' sessions to support investors' knowledge of our business units and key strategy areas for the Group. The Capital Markets Day videos are on our website at nationalgrid.com/investors.

'Grid Guide to...' Throughout the year our investor series continued. The series consists of short, virtual sessions covering our ambitions and progress across a range of ESG themes. Some of the key sessions of the 2021/22 programme included:

- May 2021 – Grid Guide to... Our People;
- July 2021 – Grid Guide to... the Decarbonisation of Transport;
- October 2021 – Grid Guide to... the Future of Heat in downstate New York; and
- March 2022 – Grid Guide to... National Grid's Sustainable Supply Chain.

Annual and General Meetings of shareholders

In April 2021, we held a General Meeting to seek approval from our shareholders for the acquisition of WPD. We also announced our intention to sell a majority stake in UK Gas Transmission and the sale of NECO at this time. This meeting took place behind closed doors due to COVID-19 restrictions; however, shareholders were invited to submit questions in advance of the meeting and were answered in a shareholder webcast. In July 2021, our Annual General Meeting (AGM) took place in London. We also facilitated the ability for shareholders to view the meeting remotely, register and ask any questions both in person or virtually. Voting levels were largely consistent with previous years, despite the disruption caused by COVID-19 restrictions in place. All resolutions were passed at the meeting in line with the Board's recommendations.

The pandemic has clearly demonstrated the efficiency of virtual and hybrid meetings and allows for greater levels of engagement and participation by individuals. A resolution to amend our Articles of Association to allow for hybrid AGMs was approved in 2021. Our 2022 AGM in July will be conducted in the hybrid format.

The Notice convening the 2022 AGM will be made available to shareholders in advance of the meeting. This will provide shareholders with the appropriate time to consider matters. The results of the proxy votes on each resolution will be collated independently by the Company's registrar and will be published on the Company's website after the meeting.

Looking forward

We maintain a comprehensive investor relations programme throughout the year. Please visit our website to keep up to date as events are announced at nationalgrid.com/investors. Materials from recent seminars and access to our educational videos and podcasts can also be found online and on our social media channels.

Performance evaluation

2021/22 external Board evaluation

Our annual evaluation provides the Board and its Committees with an opportunity to consider and reflect on the quality and effectiveness of their decision making, and for each member to consider their own contribution and performance. In accordance with the Code, which outlines in the Provisions that the Company should undertake an externally facilitated evaluation every three years, the 2021/22 Board evaluation was conducted externally. In May 2021, National Grid engaged Independent Board Evaluation (IBE) to facilitate this year's Board evaluation.

Following initial briefings in October 2021, the evaluation began with Board and Committee observations in November 2021. This was supplemented with Director and management interviews. Results were fed back to the Chair in December 2021 and then presented to the Board in January 2022. The Board agreed the set of actions outlined below in March 2022.

National Grid confirms neither the principal consultant nor IBE has any connection with the Company, individual Directors nor the Company Secretary.

Findings of the Board evaluation

The Board has been through significant change over the past year, as noted in the evaluation. Findings of the evaluation take into account the appointment of a new Chair with effect from 31 May 2021 and a number of changes amongst the Non-executive Directors. The Board views these changes as positive. The review noted that National Grid is underpinned by robust governance and compliance. Succession planning, culture and strategy were identified as key areas of focus for the year ahead, with opportunity for Board materials to be further streamlined.

Board Committees' effectiveness

Each Board Committee was included as part of the evaluation and each Committee received a detailed report. IBE noted that the Committee structure had also been through a period of change, which has refocused the remit of each Committee. The Chair has engaged on feedback with each Committee Chair and, following the Board agreeing its action plan and goals in March 2022, each Committee will set an outline of key areas of focus for 2022/23.

Performance of the Chair

As part of IBE's evaluation, in line with the Code, each individual Director's effectiveness was evaluated, including our Chair's performance. Detailed feedback was shared directly with the Senior Independent Director, Thérèse Esperdy. An overview of the findings was shared during a private session between Thérèse and Paula. The Board recognised in its feedback that Paula had led the Board effectively during a period of significant change whilst outlining vital key strategic priorities for the business.

Focus area	Board actions for 2022/23
Strategy	• Finalise Board strategic topics for 2022/23 and ensure agendas align.
Capability	• Strengthen focus on talent and succession at all levels. Include regular reviews on People & Governance agendas and align with opportunities for the Board to meet high-potential employees.
Culture	• Incorporate the results of the culture scorecard in People & Governance Committee deliberations.
Employee engagement	• Review and refine the overall approach to employee engagement. • Ensure key insights from engagement opportunities are shared with the Board.
Engagement with management	• Ensure effective communication flows to provide the right insights, including early sight of emerging issues when required.
Process and meeting management	• Continue to improve discipline around Board papers and processes. • Routinely bring outside views into the boardroom.
ESG	• Ensure that ESG commitments are embedded in the Board's stewardship.

Corporate Governance overview continued

Directors' induction, development and training

The Chair has overall responsibility for ensuring that our Non-executive Directors receive a comprehensive induction and suitable ongoing development and training. This is key to enabling Board effectiveness individually and as a whole. New directors receive comprehensive induction programmes and induction packs, tailored to their experience, background, committee membership and requirements of their role. They are encouraged to engage with the business by visiting key sites in the UK and US. As our internal and external business environment continues to change, it is important to ensure that Directors' skills and knowledge are refreshed and updated regularly.

During the year, Non-executive Directors attended a detailed session on digital initiatives across the Group ahead of a digital discussion at the Board meeting. The Board also had the opportunity to attend a series of enrichment sessions; topics presented through the year included heat pumps, CCUS, hydrogen and ESG. Further enrichment sessions are scheduled for 2022/23 on topics such as energy market reform, customer disruption and offshore wind market operations and projects.

Ian Livingston

Significant focus was given to prepare Ian to step into the role of Chair of the Remuneration Committee from January 2022 alongside an introduction to the Group's Remuneration Policy. Ian also received an overview of the Group's strategy, key business operations and matters pertinent to the Audit & Risk Committee.

Martha Wyrsch

Martha joined as a member of the Safety & Sustainability Committee and Remuneration Committee. Focus was given to key safety, sustainability and remuneration-related matters. In September 2021, Martha visited National Grid's diversion site supporting HS2, gaining first-hand insight on the challenges the team faced during the project.

Anne Robinson

On appointment, Anne joined as a member of the Safety & Sustainability Committee. Focus was given to key safety and sustainability matters alongside an overview of the Group and current strategy. Anne will also join the Remuneration Committee in July 2022 and will be undertaking sessions on remuneration.

Tony Wood

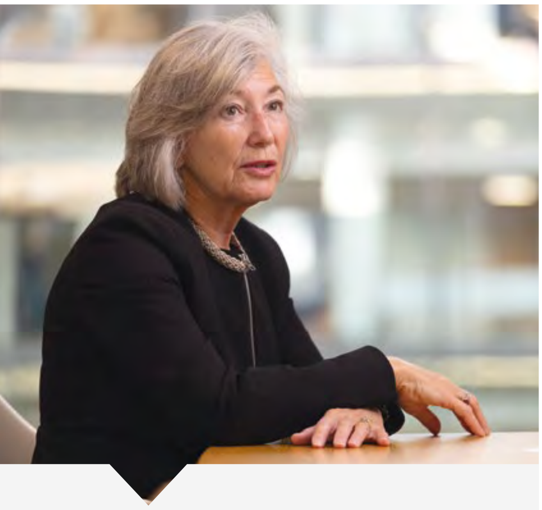
Tony joined as a member of the Safety & Sustainability and People & Governance Committees. Focus was given to key matters in relation to safety and sustainability alongside an overview of the Group. As part of his induction, Tony visited two key UK sites, Isle of Grain and London Power Tunnels, in August 2021.

"As such a large cohort of Directors has joined the Board during the year, it's been crucial that we get them up to speed quickly. Our induction, development and training programme has been vital in supporting this."

Paula Rosput Reynolds

Induction area	Provided by	Topics covered	Attended by
Governance and Director Duties	Chair of the Board Group General Counsel & Company Secretary Head of Company Secretariat External Legal Counsel	• Priority areas for the Board • Governance framework and corporate structure • Overall legal matters • Director duties for a listed company • Market Abuse Regulations	IL AR MW TW
Remuneration Committee	Chair of the Remuneration Committee Chief People & Culture Officer Group Head of Reward External remuneration consultant (PwC)	• Priority areas for the Remuneration Committee including Committee Chair succession • Remuneration Policy • Remuneration matters	IL MW
Audit & Risk Committee	Chair of the Audit & Risk Committee Chief Financial Officer Group Head of Audit Chief Risk Officer Group Financial Controller External auditor (Deloitte)	• Priority areas for the Audit & Risk Committee • Regulatory finance model • Financial reporting framework • Risk management framework and principal risks • External audit including lead partner succession	IL
Safety & Sustainability Committee	Group Head of Safety Group Chief Engineer	• Priority areas for the Safety & Sustainability Committee • National Grid's approach to safety and sustainability • Engineering assurance • Climate change and climate risk	AR MW TW
Strategy	Chief Strategy & External Affairs Officer Chief Sustainability Officer	• National Grid's strategy and transition to net zero • COP26	IL AR MW TW

People & Governance Committee report



Key decisions during the year

- Approved four Board appointments in the year
- Reviewed and approved Board and Committee composition and refreshment
- Reviewed and approved the Board Diversity Policy and progress against objectives
- Reviewed and approved the continuation of the Board 'workforce engagement' approach

Composition and Committee attendance:

The Committee is made up of four independent Non-executive Directors and the Chair of the Board.

Committee members	Attendance
Paula Rosput Reynolds[1] ◆	**4/4**
Thérèse Esperdy[1]	**4/4**
Jonathan Silver[1]	**4/4**
Earl Shipp[1]	**4/4**
Tony Wood[3]	**3/3**
Former Committee members	Attendance
Paul Golby[2]	**1/1**
Liz Hewitt[2]	**1/1**
Mark Williamson[2]	**1/1**
Amanda Mesler[2]	**1/1**
Jonathan Dawson[2]	**1/1**

◆ Committee Chair

1. Member of the Nominations Committee until 1 September 2021 and became a member of the refreshed People & Governance Committee from this date.
2. Member of the Nominations Committee until 1 September 2021.
3. Became a member of the Committee on appointment to the Company on 1 September 2021.

Year in review

On appointment, I requested Justine Campbell, Group General Counsel & Company Secretary to undertake a full review of the appropriateness of the Board Committee structure, terms of reference for the respective committees and overall effectiveness. The outcome of that review was to update the remits of the various committees. Notably, the Safety, Environment and Health Committee was repurposed as the Safety & Sustainability Committee, the Audit Committee as the Audit & Risk Committee and the Nominations Committee was repurposed as the People & Governance Committee. All were with effect from 1 September 2021. With respect to the latter Committee, the subject of this letter, let me simply restate the obvious: people make all the difference. So we formed a committee that looked not just at the process of governance but its content. To read further about the Committee refresh and governance framework, see page 90.

Board composition

Sir Peter Gershon, our prior chair, was kind enough to appoint me to chair of the Nominations Committee when I joined the Board in January 2021. Having the opportunity to chair both this Committee and the Board allows for me to ensure there is alignment across our governance practices and to ensure robust oversight of succession. Sir Peter recognised that the Board would have quite a bit of turnover in membership due to a substantial number of directors reaching the limits of their terms and that I should be the one leading the process of identifying new directors. In the year we recruited a number of new directors from diverse backgrounds and experiences, four of whom were seated earlier in the financial year and one who will join the Board ahead of this AGM. All Board members participated in the recruitment and it was encouraging how much agreement there was as to the talent we needed. There was also a unanimity of view that we were seeking seasoned senior professionals who were confident in their capabilities, independent in their thought processes, curious about our business, and invested in a commitment to a net zero future. Collectively, they bring vitality and energy to the boardroom, gracefully balancing support and challenge. Because such a large cohort of directors has come on board at one time, we will seek to stagger terms so that we don't encounter the same 'cliff' of retirements in the future as we experienced this year.

Management development and succession

In my first meeting as Board Chair, we began by exploring what were the most important things we needed to accomplish as a Board. From that discussion, we adopted goals for our work. One area that stood out was the need for a more robust process of reviewing management development and executive succession, a key responsibility of this Committee. We worked with our Chief Executive to review the succession pipeline for many of the key roles in the Company, to discuss development plans to our emerging leaders, and to identify where we need to introduce new skills and experience into the organisation. In its first year, the Committee has focused on executive development in particular. However, we have also reviewed the results of the culture survey, reviewed the demographics of our workforce and turnover, and used our engagement sessions to learn more about the temperament and issues of the wider workforce.

In line with our expanded remit, the Committee considered our workforce engagement mechanism and agreed to continue with our chosen method of enhancing existing Board engagement sessions. We discuss the learnings of these engagement sessions at every Board meeting, discussing whether we have the pulse of the organisation. We also have a schedule for the year to ensure we are meeting with organisations on both sides of the Atlantic, in offices, depots, and on the front line. At year end, the Committee considered whether these small and larger engagements remain appropriate and effective for us to stay in touch with all levels of the organisation and at this time we are agreed that they do; however, we will continue to challenge and review effectiveness in this area. See pages 96-97 for an overview of Board engagement activity through the year.

Diversity, equity and inclusion (DEI)

In 2021, the Company appointed its first senior executive with a remit specifically tied to diversity and inclusion. Natalie Edwards, our Global Chief Diversity Officer, has met with us to review the global DEI strategy, which includes a clear set of DEI commitments which will provide clarity and direction for the organisation. The work of the team in engaging with the workforce has been exemplary and we anticipate having Natalie meet with us frequently given the importance of this agenda. We also welcome the FCA's new listing rule requirements around diversity and inclusion reporting. These will apply for our next year's report; however I'm happy to report that we are already in compliance with these measures.

Culture and accountability

High-performing organisations are characterised by, among other things, clarity on goals and performance. To this end, the Board had an independent consultant review our board effectiveness and gather feedback on each of us as a contributor. Through this process, we are seeking to model the very culture that we seek to strengthen in the organisation. We are actively engaged with the Remuneration Committee and the Board as a whole in ensuring that there are clear objectives for the organisation and leaders so that we both monitor progress and measure outcomes. See page 95 to read more about how we as a Board monitor the culture of the Company.

Paula Rospud Reynolds

Paula Rosput Reynolds
Committee Chair

People & Governance Committee report continued

Our Board diversity
As at 31 March 2022

Board gender


Male	7
Female	6

Executive and Non-executive Directors


Executive	2
Non-executive	11

Board members by nationality


British	6
American	7

Tenure


< 3 years	6
3-6 years	4
> 6 years	3

Board skills and experience


Diversity policy objectives – progress update
The People & Governance Committee noted progress against the following Board Diversity Policy objectives at its March 2022 meeting:

Objectives	Progress
The Board aspires to meet and ultimately exceed the target of 33% of Board and the CEO's direct report positions to be held by women.	There are currently six female Directors on the Board, resulting in 46% women on the Board. We currently have 33% female direct reports to the CEO.
The Board aspires to meet and ultimately exceed the Parker Review target for FTSE 100 boards to have at least one Director from a non-white ethnic minority by 2021.	We currently have two Directors from a non-white ethnic minority.
The Board aspires to achieve 50% diversity* on the Board.	We currently have 54% diversity on the Board.

* Diversity of the Board is defined, in this context, as female and non-white ethnic minorities.

Our Policy determines that:

- all Board appointments and succession plans are made on merit and objective criteria, in the context of the skills and experience that are needed for the Board to be effective and to guard against 'group think';
- we will only engage executive search firms who have signed up to the UK Voluntary Code of Conduct on Gender Diversity; and
- we will continue to make key diversity data, both about the Board and our wider employee population, available in the Annual Report and Accounts.

In the year, the Committee will review the Policy and associated objectives to consider if these remain appropriate and update as necessary to ensure these remain relevant and stretching. Report on progress against our objectives (as set out above) will continue to be outlined in the Annual Report and Accounts.

Examples of the initiatives to support inclusion and diversity throughout our Company are set out on page 66.

Appointments, skills and the talent pipeline
The Board has a wide range of skills and experience and considers this when appointing new Directors. Skills such as ESG and climate change have been given greater focus in recent years to reflect the evolving strategy of the Company. The graph to the side provides an overview of the breadth of skills and experience currently on the Board. The Committee took account of these, as well as level of experience required and diversity, when considering appointments in the year. The appointments of Ian, Tony, Martha and Anne followed a transparent and thorough process, outlined below.

- Russell Reynold Associates and MWM Consulting were appointed jointly as the search firm for each appointment made throughout the year. There are no connections between the search firms, the Company and its individual directors. They reviewed our requirements and developed specific criteria for candidate selection alongside the requirement for broader Non-executive Director characteristic requirements, including deep engineering expertise, transformational experience and strong credentials in the future of energy and ESG considerations.
- Individual role profiles were created and a short list of candidates presented for consideration to the Chair of the People & Governance Committee.
- Preferred candidates met with members of the Board, who reported back to the People & Governance Committee.
- Leading candidates were identified and the People & Governance Committee recommended these for approval by the Board.

The Committee discussed the talent pipeline regularly, giving focus to ensuring development opportunities also reached further into the organisation and identified those less advanced in their careers but with long-term potential. A Future Leaders Programme was highlighted to the Committee and would be built into the regular talent updates. The programme focuses on less senior colleagues, enabling a wider group of potential future talent to enjoy a structured development programme, using digital tools as well as tailored support.

At senior management level, the Committee approved the appointment of Ben Wilson as Chief Strategy & External Affairs Officer, Stephen Woerner as President, New England, and Will Serle, who joined the Company as Chief People & Culture Officer. Phil Swift also joined with the integration of WPD as President, WPD. All four individuals joined the Group Executive Committee. Alison Kay, interim Chief Strategy & External Affairs Officer, Andy Doyle, Chief People & Culture Officer; and Badar Khan, President, US, stepped down in the year.

Audit & Risk Committee report

Key actions during the year

- Increased oversight of risk matters
- Review of WPD acquisition accounting and first annual goodwill impairment test
- Additional meetings to consider fraud and bribery allegations
- Hosted colleague engagement sessions specific to the Committee's remit

Composition and Committee attendance:

The Committee is made up of five independent Non-executive Directors.

Committee members	Attendance
Liz Hewitt ◆	8/8
Thérèse Esperdy	8/8
Ian Livingston[1]	3/3
Amanda Mesler	8/8
Jonathan Silver[1]	3/3
Former Committee members	Attendance
Paul Golby[2]	1/2

◆ Committee Chair
1. Ian Livingston and Jonathan Silver joined the Committee effective 1 September 2021.
2. Paul Golby was unable to attend the additional Committee meeting on 6 July 2021 due to a prior commitment and stepped down from the Board effective 26 July 2021.

Committee financial experience

The Board is satisfied that the Chair, as a chartered accountant with significant board-level financial and audit experience, is suitably qualified and has recent and relevant financial experience. The Committee as a whole is deemed to have competence relevant to the sector in which the Company operates.

Fair, balanced and understandable

The Committee was satisfied that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy. This was recommended to the Board at its meeting in May 2022.

Statement of Compliance with the Competition and Markets Authority (CMA) Order

The Company confirms that it has complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (Article 7.1), including with respect to the Audit & Risk Committee's responsibilities for agreeing the audit scope and fees and authorising non-audit services.

Role of the Committee

The work of the Audit & Risk Committee has never been more important: investors, regulators and other stakeholders require ever more informative and reliable reporting, not just of the results and financial position, but of resilience, risk management and the Company's environmental, social and governance (ESG) position and progress. The Committee also oversees and evaluates the Company's approach and controls relating to the prevention and detection of fraud and bribery, including overseeing the effectiveness of whistleblowing mechanisms.

In September 2021, the Committee's remit was expanded to have an increased delegation from the Board in relation to risk. We have spent significant time updating the reporting cadence of risk matters, working closely with the Chief Risk Officer to support effective oversight of the Company's principal, emerging and child risks and associated enterprise risk-management processes.

Review of the year

I'm delighted to be writing to you following my first full financial year as Audit & Risk Committee Chair.

During the year, we met four times as part of the standard schedule of Committee meetings. After the virtual world we endured in 2020/21, it was great to be able to meet in person again. Following the public announcement of the federal investigations into allegations of fraud and bribery by former National Grid employees in our US business, the Committee met four extra times in the year to provide oversight of the internal investigations. We also endorsed management broadening the scope of its investigations to receive assurance that the now substantiated allegations of fraud and bribery were isolated incidents and National Grid's controls are appropriate and continue to operate effectively to mitigate future instances.

The Committee also received updates on the successful go-live of the new enterprise resource planning (ERP) and general ledger system in the UK and we continued our oversight of ESG reporting and assurance matters. In particular, we have discussed the rapid market and regulatory developments in this space and management's strategies to respond to these changes.

It is vital that the Committee goes the extra mile by spending additional time on significant matters that present themselves each year. Nonetheless, we must ensure a laser-like focus on regulatory and compliance matters within our remit. We maintain an extensive and detailed agenda focusing on the audit, compliance and risk processes within the Company, working closely with management, the external auditor, Corporate Audit and the Finance and Legal teams. Key matters of business considered during the year are set out on page 103.

Engagement

In October 2021, we had a roundtable session giving Committee members the opportunity to engage with key management personnel in the UK and US, and this doubled as an induction session for Jonathan and Ian, whom I was glad to welcome to the Committee. We also held a virtual question and answer session with members of the US Finance, Risk and Global Internal Audit teams in January 2022. We are looking forward to returning to the US later in 2022 when I hope to host a similar in-person session. These were key parts of the wider stakeholder engagement focus for the Board which is detailed on pages 96–97.

Transactions

We have performed an active role monitoring the progress of the various transactions across the Group. We received regular updates relating to the integration of WPD's financial reporting and risk and controls framework into the Group and we had an informative session with the CEO and CFO of WPD in November 2021, who provided an overview of the business. We were regularly kept up to date on the Company's strategic portfolio transactions, including updates from management in relation to the accounting issues linked to the UK Gas Transmission (NGG) and NECO sales.

Thank you

I would like to thank Committee members, the management team and Deloitte for their commitment throughout an extremely busy year and for their contribution, support and integrity provided in support of the Committee's work. A sincere thank you must go to Doug King, who has completed his fifth and final statutory audit for National Grid. He has been a pleasure to work with and we are extremely grateful for his constructive challenge and professionalism over the past five years.

Liz Hewitt
Committee Chair

Audit & Risk Committee report continued

Significant issues/judgements relating to the financial statements

In considering the financial results announcements and the financial results contained in the Annual Report and Accounts, the Committee reviewed the significant issues and judgements made by management in determining those results.

The significant issues and judgements considered for the year ended 31 March 2022 are set out in the following table.

In addition, the Committee and the external auditor discussed the significant issues addressed by the Committee during the year. You can read more in the Independent Auditor's Report on pages 135 – 146.

Matter considered	Factors and reasons considered, including financial outcomes
WPD goodwill impairment test	• In March and May 2022, the Committee reviewed the output of the provisional and then final WPD goodwill and indefinite life intangible asset impairment test. The Committee challenged the reasonableness of the duration of the cash flow forecast used in the test and reviewed the key assumptions, including the cash flows, discount rate and terminal value. The Committee also received Deloitte's audit conclusions over both the impairment work and the execution of management's impairment SOX controls. The Committee concluded that the judgements taken and estimates made by management were supportable and should be disclosed as areas of judgement and key sources of estimation uncertainty.
Proposed disposal of a majority stake in the UK Gas Transmission business	• During the year, the Committee oversaw the judgements and accounting for the proposed sale of a majority stake in UK Gas Transmission. In particular, the Committee reviewed management's judgement on the date the business qualified as held for sale and a discontinued operation. Based upon management's analysis versus the criteria outlined in IFRS 5, the Committee was satisfied the judgement was appropriate.
Useful life of gas assets in the context of climate change	• Consistent with prior years, the Committee reviewed and concurred with management's judgement that, notwithstanding the regulatory and legislative commitments to net zero in the jurisdictions that we operate in, there will be a role for our gas networks beyond 2050 in a range of possible scenarios and that nothing suggests that our gas asset lives should be shortened at this point. The Committee also agreed with management that the additional disclosures and sensitivities previously added to the notes to the financial statements should be retained, along with the disclosures of the matter as a key judgement and key source of estimation uncertainty.
Application of the Group's Exceptional Items Framework	• In March 2022, the Committee approved revisions to the Group's Exceptional Items Framework (Framework) to include a disclosure section, reflecting the latest guidance and recommendations from the FRC following its October 2021 Thematic Review into Alternative Performance Measures. This update also reflected transactions that had occurred since the previous update to the Framework in September 2020. • Throughout the year, the Committee considered papers from management setting out how the Framework had been applied to certain events and transactions over the period, as set out in Note 5 to the financial statements. • For each item, the Committee considered the judgements made by management, including challenging when transactions were concluded as not qualifying for exceptional treatment. • Based on the reviews performed, the Committee was satisfied the Framework had been correctly applied throughout the year.

Financial reporting

Going concern and viability

The Committee reviewed the Group's going concern statement, viability statement (as set out on page 153 and pages 33–35 respectively) and the supporting assessment reports prepared by management. During 2021/22, there has been continued review of the Group's viability and going concern with support of the Finance Committee. The financial statements are prepared on a going concern basis such that the Company and the Group have adequate resources to continue in operation for at least 12 months from the date of signing the consolidated financial statements.

Statutory reporting framework policy

The Board has responsibility for effective management of risk for the Group including determining its risk appetite, identifying key strategic and emerging risks, and reviewing the risk management and internal control framework. The Committee, in supporting the Board to assess the effectiveness of risk management and internal control processes, relies on a number of Company-specific internal control mechanisms to support the preparation of the Annual Report and Accounts and the financial reporting process. This includes both the Board and Committees receiving regular management reports to include analysis of results, forecasts and comparisons with last year's results, and assurance from the external auditor.

With the regulatory environment evolving quickly, the Committee is kept fully informed of all new legislation, FRC advice and best practice and the requirements of the Code and Disclosure and Transparency Rules. During 2021/22, the Committee has been kept up to date with changes to legislation and regulatory reviews and has had oversight of the potential impacts.

The Committee and Board receive, in advance of the full-year results, a periodic SOX report on management's opinion on the effectiveness of internal control over financial reporting. This report concerns the Group-wide programme to comply with the requirements of SOX and is received directly from the Group SOX and Controls team.

In relation to the financial statements, the Company has specific internal mechanisms that govern the financial reporting process and the preparation of the Annual Report and Accounts. The Committee oversees that the Company provides accurate, timely financial results and implements accounting standards and judgements effectively, including in relation to going concern and viability. Our financial processes include a range of system, transactional and management oversight controls. Our businesses prepare detailed monthly management reports that include analysis of their results, along with comparisons to relevant budgets, forecasts and the previous year's results. Monthly business reviews, attended by the Chief Executive and Chief Financial Officer (CFO), supplement these reports. Each month, the CFO presents a consolidated financial report to the Board.

Key matters considered by the Committee

The key matters considered by the Committee during the course of the year ended 31 March 2022 are set out below:

Matter considered	Factors and reasons considered, including financial outcomes
Financial reporting	• In addition to the significant issues and judgements highlighted on page 102, the Committee also considered the accounting for the Company's disposal of its investment in the St William Homes LLP joint venture, the results of the purchase price acquisition exercise for the WPD acquisition, the ongoing impact of COVID-19 on our US retail customers' bad and doubtful debts provision, the accounting for the Company's interconnectors subject to cap and floor arrangements, and management's evaluation of the IFRS Interpretation Committee's agenda decisions on cloud computing arrangement costs. • Monitored and reviewed the integrity of the Group's financial information and other formal documents relating to its financial performance, including the appropriateness of accounting policies, use of the going concern assumption and viability assessment. • Recommended to the Board management's key accounting judgements and key sources of estimation uncertainty, including those related to pension valuations and environmental provisions for the 2021/22 half-year and full-year financial statements and the filing of other reports with the SEC containing financial information.
ESG reporting	• Reviewed management's proposed strategy for ESG reporting and assurance, and its proposal for implementing an ESG reporting system to ensure accurate, reliable and timely ESG reporting. • Received an update on the preparation of the Responsible Business Report and the Company's fifth TCFD disclosure. This included reviewing management's assessment of full compliance with TCFD's 11 recommendations. • Reviewed management's voluntary disclosures aligned with the EU Taxonomy, including the key judgements taken in preparing the disclosure. Also, management's disclosure maps on two leading ESG reporting frameworks: the Global Reporting Initiative and Sustainability Accounting Standards Board. • Recommended approval of the Responsible Business Report and related publications to the Board, following review of PwC's external assurance report.
WPD acquisition	• In addition to the WPD accounting matters noted on page 102, in September 2021, the Committee received an update on the implementation of management's Financial Position and Prospects Risk Mitigation Plan. • In November 2021, the WPD CEO and CFO attended the Committee to provide an overview of WPD.
Internal controls	• The Committee provided oversight over management's internal investigation following the federal investigations into allegations of fraud and bribery by former National Grid employees in our US business. The Committee endorsed management broadening the scope to confirm the Company's controls remain appropriate and continue to operate effectively. • Received regular updates on progress towards the Group's annual US regulatory attestation. • In September 2021 and March 2022, the Committee received updates on management's structured programme of work to strengthen the maturity of the Group's risk and controls framework. • In May 2022, the Group CFO presented a close out update on the implementation of the new ERP and general ledger system and completion of the roll-out.
Risk and viability statement	• Received regular updates on the actions being taken to manage the risk in line with the Group's risk appetite. • Received confirmation from each of the businesses and functions that risks are managed appropriately and continue to consider external influence and matters outside of the Group's control. • Monitored the internal control processes and reviewed and challenged the going concern and viability statements, including testing for reasonable worst-case scenarios. • Satisfied itself that the Board and management's risk management processes were functioning effectively and provided sufficient assurance.
External auditor	• Received an update report at each meeting, including updates on the status of, and results from, the annual audit process. • Considered the external auditor's report on the 2021/22 half- and full-year results. • Considered throughout the year the external audit plan, including monitoring the approach, scope and risk assessments contained within. • Assessed the effectiveness and independence of Deloitte, as well as continued review and oversight of non-audit services from Deloitte. • Continued to hold private meetings with Deloitte and maintained dialogue throughout the year. • Engaged with Deloitte regularly on the forward planning and succession planning for the lead Audit Partner; this included the confirmed successor attending a number of Committee meetings during the year. • Recommended the reappointment of Deloitte as the Company's external auditor to the Board.
Corporate audit	• Received regular updates on the 2021/22 audit plan and the significant findings and approved the audit plan for 2022/23. • Approved the Corporate Audit Charter which had been updated to reflect best practice and recent corporate governance developments. • Engaged with the Global Internal Audit team regularly as part of its role in the internal investigation into fraud and bribery controls.
Compliance, governance and disclosure matters	• Reviewed and approved the updated terms of reference for the Committee. • Received updates on ethics and business conduct, including whistleblowing to support the oversight, management and mitigation of business conduct issues as part of the controls framework. • Discussed the whistleblowing procedures in place and confirmed internal procedures remained effective, noting the communications during the year to employees, including additional communications in relation to fraud and bribery. • Received bi-annual updates in September 2021 and March 2022 of compliance with external legal requirements and regulations, including any non-compliance issues and steps being taken to improve compliance across the Group.

Audit & Risk Committee report continued

Risk management and internal control

Risk management

Risk management is the responsibility of the Board and is key to achieving our strategic priorities. The system of risk management is established by the Board, which sets risk appetite and maintains the system of internal controls to manage risk within the Group. The Audit & Risk Committee has delegated responsibility from the Board for the oversight of the Group's systems of internal control and risk management. This includes policies, compliance, legislation including compliance with SOX and the UK Bribery Act 2010, appropriateness of financial disclosures, procedures, business conduct and internal audit. As part of the framework across the Group, National Grid's values – 'do the right thing', 'find a better way' and 'make it happen' – continue to communicate and promote a culture of integrity across the Group. During the year, the Board reviewed the principal risks facing the Group (as set out on pages 28 – 32). The Committee provided oversight and reviewed the risk management process to ensure that processes are in place to manage risk appropriately.

Internal control and risk management effectiveness

We continually monitor the effectiveness of our internal control and risk management processes to make sure they continue to be effective, robust and remain fit for purpose. Controls are in place to reduce either the likelihood or impact of any risk once it has occurred. Following the review over the year the Committee recommended to the Board that the processes had the correct authority, expertise and independence and provided sufficient assurance to the Company.

This review includes financial, operational and compliance controls. The Committee also monitors and addresses any business conduct issues or compliance issues. The Certificate of Assurance (CoA) process operates via a cascade system and takes place annually in support of the Company's full-year results.

The Company has a Chief Risk Officer who leads on the Group's risk management processes. Corporate Audit also supports the Group's risk management and internal control processes. They maintain an independent and objective approach to evaluate and enhance process developments. The Global Head of Audit appointment is a matter reserved for the Committee and has responsibility for the internal audit function, attends all Committee meetings and has access to the Committee Chair as necessary.

At each of the Committee's meetings, progress of the internal audit process is reviewed including significant outstanding actions. The Committee also has regular private meetings with the Global Head of Audit. The Committee notes timelines and where actions are overdue, challenges these. Corporate Audit is responsible for developing the audit plan including engaging in major change programmes across the business.

The Committee Chair signed the updated Corporate Audit Charter in December 2021 following agreement from the Audit & Risk Committee and Safety & Sustainability Committee in November 2021 and December 2021 respectively. The Committee also received the results of the Internal Quality Assessment that took place in 2021/22.

External audit

The Committee is responsible for overseeing the relationship with the external auditor. The Committee Chair meets with the external auditor prior to each meeting and outside the meeting cycle on a regular basis.

- Deloitte is the external auditor to the Company.
- Appointed in 2017 following a formal tender process.
- Reappointed at the 2021 AGM for the year ended 31 March 2022.
- The Committee was authorised by shareholders to set Deloitte's remuneration at the 2021 AGM.
- Current lead Audit Partner is Doug King and 2021/22 was the fifth and final year of his term.

Chris Thomas has been selected as Doug King's successor and will oversee the statutory audit for 2022/23. The Committee has spent significant time with both Doug and Chris during 2021/22 to make sure the succession is seamless; this included Chris attending a number of Committee meetings in the year alongside Doug.

Following consideration of the auditor's independence and objectivity, the audit quality and the auditor's performance, the Committee was satisfied with the effectiveness, independence and objectivity of Deloitte and recommended to the Board its reappointment for the year ended 31 March 2023.

A resolution to reappoint Deloitte and give authority to the Committee to determine its remuneration will be submitted to shareholders at the 2022 AGM. In accordance with the CMA Order Article 4, the Committee believes that a competitive tender no later than 2026 is in the best interests of the Company given the independence, objectivity and performance of Deloitte to date and to ensure the appropriate time and planning required to execute a comprehensive tender process. This approach is in line with current regulation that requires a tender every 10 years.

Effectiveness, quality and performance

As part of the Committee's responsibilities, consideration is regularly given to the effectiveness of the external auditor to verify that the quality, challenge and output of the external audit process is sufficient. Throughout the year the Committee also looks at the quality of the auditor's reports and considers its response to accounting, financial control and audit issues as they arise. To maintain high levels of quality the Committee reviews and challenges, where appropriate, the external audit plan prior to approval.

Audit quality reports received by the Committee

External auditor Insights Report

On an annual basis, the Committee receives a report summarising the financial reporting and/or internal control areas that, based on the results of the most recent audit, Deloitte considers management should prioritise during the year ahead. This year, the report included management's responses to the recommendations, along with an update on prior year recommendations.

Management survey

Management undertook a survey in FY22 that sought views from over 100 key stakeholders involved in the external audit process across the Company. The questions comprised of the following areas:

- The external auditor's performance; key performance indicators included:
  - planning and scope;
  - robustness of the audit process;
  - independence and objectivity;
  - quality of delivery;
  - quality of people and service; and
  - understanding of the Company.
- National Grid's commitment to the audit.

Management, the external auditor, and the Committee discussed the results of the survey, which showed that the external auditor's score had remained consistent with the prior year. Deloitte agreed to put in place an action plan for areas of improvement.

In March 2022, the Committee received the FRC's Audit Quality Review Inspection Report of Deloitte for the audit of the Company's financial statements for 2020/21. The Committee noted there were no key findings from the review and three areas of good practice highlighted by the FRC.

The Committee also regularly engages and receives the views of senior management and members of the Finance team in forming conclusions on auditor effectiveness.

Meetings are held around each scheduled Committee meeting between Committee members and the external auditor, without management being present to encourage open and transparent feedback. This additional time outside of the formal meeting environment helps us to monitor the independence, quality and effectiveness of the external audit functions.

During the year, the Committee:

- reviewed the quality of audit planning, including approach, scope, progress and level of fees;
- reviewed the outcome of recommendations from the Deloitte Insights Report;

- held private meetings with Deloitte without management present;
- held meetings with the UK Partner and US Partner;
- confirmed that the Deloitte external audit process had been delivered effectively; and
- met with, and approved the appointment of, and transition plan for, Chris Thomas, the new lead Audit Partner who will take over for the 2022/23 audit year.

Auditor independence and objectivity
The independence of the external auditor is essential to the provision of an objective opinion on the true and fair view presented in the financial statements.

The Committee considered the safeguards in place, including the annual review by Corporate Audit, to assess the external auditor's independence. The external auditor reported to the Committee in May 2022 that it had considered its independence in relation to the audit and confirmed that it complies with UK regulatory and professional requirements, SEC regulations and Public Company Accounting Oversight Board (PCAOB) standards and that its objectivity is not compromised. The Committee took this into account when considering the external auditor's independence and concluded that Deloitte continued to be independent for the purposes of the external audit and confirmed that this recommendation was free from third-party influence and restrictive contractual clauses.

Non-audit services

In line with the FRC's Ethical Standard and to maintain the external auditor's objectivity and independence, we have a policy governing Deloitte's provision of non-audit services.

The cap on the total fees that may be paid to the external auditor for non-audit services in any given year is 70% of the average audit fees paid in the last three financial years.

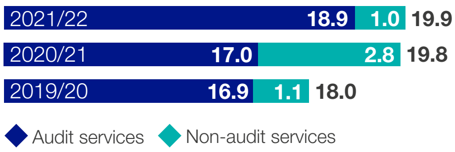
The provision of any non-audit service by the external auditor requires prior approval. A subset of services where, due to their nature, we believe there is no threat to the auditor's independence or objectivity qualify as pre-approved. These services must have a value under £250,000 (increased by Committee approval during the year from £50,000) and be reviewed in advance by the CFO. These services are limited to:

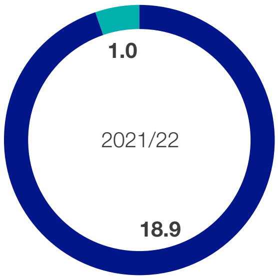
- audit, review or attest services. These are services that generally only the external auditor can provide, in connection with statutory and regulatory filings. They include comfort letters, statutory audits, attest services, consents and assistance with review of filing documents; and
- other areas, such as provision of access to technical publications.

Management presents a list of all non-audit work requests to the Committee to ensure the Committee is monitoring all non-audit services provided. Non-audit service approvals during 2021/22 principally related to comfort letters for debt issuances and refreshes of debt issuance programmes.

External auditor fees
The amounts payable to the external auditor, Deloitte, in the past two years were:

Statutory auditor's fees (£m)





Total billed non-audit services provided by Deloitte during the year ended 31 March 2022 were £1.0 million, representing 5% of total audit and non-audit fees. In 2020/21, non-audit services totalled £2.8 million (14% of total audit and non-audit fees).

Further information on the fees paid to Deloitte for audit, audit-related and other services is provided in Note 4 to the financial statements on page 162.

Total audit and audit-related fees include the statutory fee and fees paid to Deloitte for other services that the external auditor is required to perform, such as regulatory audits and SOX attestation. Non-audit fees represent all non-statutory services provided by Deloitte.

Safety & Sustainability Committee report

Key decisions during the year

- Approved the year-end sustainability disclosures
- Approved the Company's environmental sustainability strategy
- Approved the Committee's revised remit as the Safety & Sustainability Committee
- Approved the FY22 Audit Plan in respect of safety and sustainability matters

Composition and Committee attendance:

The Committee is made up of four independent Non-executive Directors.

Committee members	Attendance
Earl Shipp ◆	6/6
Anne Robinson[1]	2/2
Tony Wood[2]	4/4
Martha Wyrsch[2]	4/4
Former Committee members	Attendance
Mark Williamson[3]	2/2
Liz Hewitt[2]	2/2
Amanda Mesler[2]	2/2
Paul Golby[4]	1/1

◆ Committee Chair
1. Anne Robinson was appointed to the Committee effective 19 January 2022.
2. Tony Wood and Martha Wyrsch were appointed to the Committee and Amanda Mesler and Liz Hewitt stepped down from the Committee effective 1 September 2021.
3. Mark Williamson joined the Committee effective 1 September 2021 and stepped down from the Board effective 31 December 2021.
4. Paul Golby stepped down from the Board effective 26 July 2021.

Review of the year

I'm pleased to present to you my first report as Chair of the Safety & Sustainability Committee. After a review undertaken earlier in 2021, we refreshed our remit. In addition to health and safety, we agreed to increase monitoring of sustainability-related issues including external climate-related disclosure requirements. You'll note our new name, the Safety & Sustainability Committee, with effect from 1 September 2021.

To ensure we are well positioned to advise the Board on these wider strategic considerations, given the rapidly changing external environment and growing societal expectations, the Committee welcomed new members. We thus have a refreshed composition, providing significant experience across engineering, safety, and process-focused industries as well as in-depth knowledge of the energy transition, climate change and stewardship of environmental and sustainability matters.

Despite the widening of our remit, we have not lost sight of the health considerations we have customarily monitored. We saw continuing COVID-19 impacts being felt in both the UK and US through most of the year. Towards the end of the fiscal year, we monitored the gradual and safe return to the workplace for those who have been working from home. It is appropriate to recognise everyone's perseverance and forbearance throughout the last two years. In particular, the contributions of our front-line workers, who continued to work in the field through the pandemic, were exemplary. They have done a marvellous job designing, implementing and complying with numerous protocols to keep themselves healthy and thus protecting our customers as well. Our numbers of sickness within the workforce were low and productivity was maintained throughout. Nevertheless, the prolonged pandemic took an emotional toll on the entire organisation and the Committee has been briefed on the strengthening of the support the Company offers through various employee assistance programmes.

Safety, wellbeing and asset protection

Safety is always our number one priority. We monitored both process and personal safety at every meeting and requested 'deep dives' into selected events where we felt our independent oversight would be of value. Whilst we have continued strong progress on our leading safety indicators, our lagging (LTIFR) safety performance has been challenging to sustain through the pandemic. This is a key area of focus and one that we will continue to track as a Committee. The integration of WPD also progressed throughout the year and we familiarised ourselves with WPD's measurement programme and how it would be aligned with National Grid's. In January 2022, Phil Swift, President of WPD, provided us with an overview of the safety management of WPD, including lessons learnt that were being shared between National Grid and WPD. Overall, we are mindful of the amount of organisational change ongoing. Given this backdrop, we have reviewed safety performance and progress; we will continue to challenge the organisation to keep its strong safety focus. You can see some of our key safety results at page 27.

In September 2021, there was a fire at one of our interconnectors at Sellindge, where we own and operate HVDC facilities across the English Channel. We are grateful that no one was injured in this incident, in part due to the excellent training and quick thinking of our operators on duty at the time. The damage to the facility and the potential risk to human life were thoroughly reviewed by the Committee; we convened an additional meeting in December 2021 to receive a report from the Group Chief Engineer on the status of the investigation and a further update was provided in January 2022 following the completion of the investigation. Lessons learnt have already been communicated throughout the organisation and will influence our practices going forward.

Throughout the year, several significant storms in the UK and the US highlighted that we have to redouble our preparedness. The storms saw large swathes of customers disconnected from power for, in some cases, significant periods of time. Our people worked tirelessly to restore service to every last disconnection safely and securely. The emergence of extreme weather has potential impacts on our assets and our workforce. We will continue to provide oversight of the Company's efforts to adapt to extreme weather and to ensure our safety processes are robust and resilient to withstand whatever may come our way.

Sustainability

The second priority of this Committee is sustainability. In line with the Committee's expanded remit, we considered the Company's TCFD strategy through the year and are pleased to report that the Company has fully aligned its disclosures with the TCFD Recommended Disclosures. See pages 70 – 83 for further information. Whilst the Audit & Risk Committee focuses on the financial aspect of TCFD, we spent time considering the climate scenario analysis and the Company's wider climate strategy and commitments. We also received, for the first time this year, the Company's Climate Transition Plan for review. At the 2021 AGM, shareholders approved our first ever climate resolution, outlining our targets for net zero and our commitment to bring the Company's climate transition plan to a vote at the 2022 AGM. This plan will provide the opportunity to review our metrics and data in this area.

We also continued to review the Company's wider sustainability strategy and performance. National Grid's Responsible Business Report provides additional insights into our organisational aims and ambitions, and our performance against our net zero targets and wider sustainability strategy. We convened an ad-hoc Committee meeting in March 2022 to specifically consider our external reporting obligations in relation to sustainability and reviewed and commented on the initial drafts of these. We also brought the entire Board together for a separate session to undertake a thorough review of the aims, ambitions and measures to ensure that these commitments are embedded in the Board's stewardship.

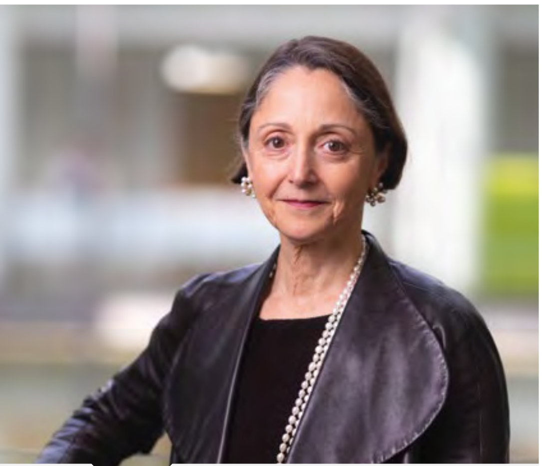
Looking forward

As we navigate these changing and challenging times, we will continue to ensure we are having the right discussions and challenging the progress and pace at which we are moving. It is sure to be another busy year and I look forward to providing you with a further update on our progress.

Earl Shipp

Earl Shipp
Committee Chair

Finance Committee report



Key decisions during the year

- Approved the Group's financial risk appetite, aligning this with the Board's refreshed risk appetite framework
- Reviewed the pension arrangements linked to the Group's key transactions and approval of the Group pension strategy
- Considered the structure of the sale of the equity interest in the St William Homes LLP joint venture to The Berkeley Group plc
- Approved forecast expenditure for 2022/23 insurance renewals

Composition and Committee attendance:

The Committee is made up of three independent Non-executive Directors and two Executive Directors.

Committee members	Attendance
Thérèse Esperdy ◆	**4/4**
Jonathan Dawson	**4/4**
Liz Hewitt[2]	**2/2**
Andy Agg	**4/4**
John Pettigrew	**4/4**
Former Committee members	Attendance
Mark Williamson[1]	**1/1**
Jonathan Silver[2]	**2/2**

◆ Committee Chair

1. Mark Williamson stepped down from the Board effective 31 December 2021.
2. Liz Hewitt joined the Committee and Jonathan Silver stepped down from the Committee effective 1 September 2021.

Review of the year

This year we met on four scheduled occasions to undertake our responsibility as a Committee of monitoring the financial risk of the Group, focusing on the key areas within our remit: Treasury, Tax, Pensions and Insurance.

Despite continued challenges presented by the pandemic, we engaged directly with a number of the finance professionals in the Company. Jonathan Silver and I met with a cross-section of members in the Treasury, Tax, Pensions and Financial Planning teams in Massachusetts. As most organisations are now back in offices, we will continue to arrange separate engagement sessions.

Transactions

It has been vital to continue our focus on the Group's financing strategy, which is supporting the portfolio repositioning of the Group. We received regular updates during 2021/22 on the progress of the ongoing transactions. As a Committee we've been particularly interested to hear about the progress of WPD colleague integration into key departments such as Treasury, Tax, Pensions and Insurance; I'm pleased to report the integration continues to progress well.

We've monitored progress of the sale of a majority stake in UK Gas Transmission throughout the year, including a review of the engagement with credit rating agencies and of the UK Gas Transmission derivative book ahead of the launch of the sale process. We have also continued to monitor progress on the sale of NECO to PPL.

Financial risk appetite

During the year, the Committee reviewed the Group's financial risk appetite and took the opportunity to evaluate how financial risk was managed in line with the Board's refreshed risk appetite framework.

Treasury

It has been another busy year for the Company in terms of bond issuances. I'm delighted that National Grid continues to attract strong investor demand in the market at both holding and operating company levels. The issuances we've seen have typically had large orderbooks and tight spreads. We continue to contribute to the Group's Green Financing commitments and in August 2021 National Grid plc issued a dual tranche €1.5 billion bond across 7 years and 12 years; the 7-year tranche was issued in a green format.

In March 2022, we received a presentation from one of our core global banking partners that provided a macro market update and included key updates on the external view of National Grid's bond issuances and impacts of the conflict in Ukraine and retail energy crisis.

Throughout the year, we monitored the actions of the credit rating agencies. As noted above, we still have significant transactional activity ongoing and hence closely monitor our gearing, which will be reduced as asset proceeds are used to restore ratings headroom.

Insurance

The fire at one of our interconnectors at Sellindge pushed significant focus on insurance for the Committee and has had an impact on the Company's approach to renewals for 2022/23, whilst market conditions have continued to harden. The Head of Insurance has spent significant time with the Committee providing updates on the claims process whilst I've worked with my fellow Committee Chairs on implications of safety and accounting.

Tax

Following President Biden's election, we've stayed abreast of the US congressional tax proposals and potential impacts on the Group. In November 2021, we invited KPMG to update us on the key expected outcomes but indeed, at the time of writing, congressional action is still a moving target.

In the UK, with the increase in the minimum statutory rate, we have reviewed the changes that arise in the current year deferred taxes and the exceptional charge to remeasure the opening deferred tax liabilities going forward.

Pensions

In the UK, pension investments are managed by independent Trustees. However, it is the Committee's duty to ensure funding is adequate to meet obligations. As the funding positions of the various defined benefit schemes improve, it allows the Trustees to reduce investment risk to everyone's benefit. This year, we oversaw the transfer of WPD's pension arrangements to National Grid and Trustee appointments will be refreshed in 2022/23. During the year, we invited Mercer to provide external expertise to the Committee on the UK pension landscape. We also received detail on the Pension Schemes Act 2021 and the potential implications this had on the Group.

In the US, pension investments are overseen by an internal fiduciary committee comprising senior leaders with appropriate levels of financial experience. Over the course of the year, we have worked to ensure the transition of pension and other retiree benefits of our Rhode Island colleagues as they move across to PPL. There has also been further de-risking of our pension and retiree welfare investments in light of the improvement to funding positions in recent years.

Looking forward

Given the impact of geopolitical events on energy markets and inflation in the broad economy, we continue to monitor the Group's risk appetite. We regularly review stress tests and seek to bring our expertise from other sectors of the economy to foster a holistic view of financial markets.

Thérèse Esperdy

Thérèse Esperdy
Committee Chair

Directors' Remuneration report

Key activities during the year

- Development of 2022 Directors' Remuneration Policy
- Stakeholder consultation
- Incorporation of portfolio transactions into remuneration
- New members and transition of the Committee

The Committee is made up of four independent Non-executive Directors

Composition and Committee attendance:

Committee members	Attendance
Ian Livingston[1] ◆	4/4
Martha Wyrsch[2]	3/4
Jonathan Dawson	7/7
Amanda Mesler	4/4
Former Committee members	Attendance
Mark Williamson[3]	5/5
Earl Shipp[2]	2/3
Jonathan Silver[2]	3/3

◆ Committee Chair

1. Ian Livingston joined the Committee effective 1 August 2021 and became Committee Chair effective 1 January 2022.
2. Martha Wyrsch was appointed to the Committee and Earl Shipp and Jonathan Silver stepped down from the Committee effective 1 September 2021.
3. Mark Williamson stepped down from the Board effective 31 December 2021.

Dear shareholders,

This is my first letter since becoming Chair in January 2022. Firstly, I would like to thank my predecessor Jonathan Dawson for his strong stewardship of the Remuneration Committee over the last nine years and all his help in ensuring a smooth transition of the Chair.

This year has presented a full agenda for the Board and Remuneration Committee. An ambitious business plan to deliver against the backdrop of an increasingly dynamic and demanding external context presented several important considerations for remuneration, particularly in the context of the new Remuneration Policy.

With the COVID-19 crisis a persistent and dominant theme at the start of the year, the Company maintained its position of no employees furloughed, no compulsory redundancies, and no pay reductions.

In November 2021, the world turned its attention to COP26 and the necessity and urgency of a net zero future for all intensified – further underscoring the importance of the Company's Climate Transition Plan and net zero strategy, a key area we focused on in our Directors' Remuneration Policy review this year.

In the final months of the financial year, the effects of higher gas prices, exacerbated by the tragic world events in Ukraine, presented serious affordability challenges for both consumers and businesses. The recent announcement of the early return of £200 million of interconnector revenue to UK consumers over the next two years and a plan to deliver £400 million of sustainable cost efficiencies per annum by 2024, with £140 million delivered to-date, demonstrate the Company's commitment to doing its part to support and enable a more affordable energy future for consumers.

Despite these challenges, the Company delivered strong operational performance this year, reflecting substantial investment and a focus on delivering a clean, fair, and affordable energy future.

In March 2021, the Company announced the acquisition of WPD, the UK's largest electricity distribution business, and the sale of our US Rhode Island business. In March 2022, the Company announced the sale of a 60% equity stake in the UK Gas Transmission business. These transactions are a significant evolution of the Group's strategy and a major pivot towards electricity. The impact of the portfolio changes on financial results and performance outturns for the year are shown in greater detail in the implementation section of our remuneration report.

This year also presented the opportunity to review our Directors' Remuneration Policy (last approved in 2019) and examine how it might evolve. As we undertook this review, we sought to ensure that the best interests of all of our stakeholders today and over the next few years are properly addressed.

To do this, we set out to answer several key questions:

- What are the right performance measures that clearly link the Company's performance and long-term strategy to value creation?
- How can we better reflect the strategic importance of the Company's net zero strategy in remuneration?
- How can we create flexibility given the increasingly dynamic external context?

Over the last several months, the Committee and I have valued the engagement and collaboration of many of our major shareholders. The key elements of our new Remuneration Policy are summarised on page 113 and details are available on pages 124 – 128. Our Remuneration Policy proposal will be subject to a binding vote at the 2022 AGM.

Our Directors' Remuneration 2021/22 report is structured to cover three key areas:

1) Remuneration at a glance
2) 2021/22 implementation report
3) 2022 Directors' Remuneration Policy and implementation

Performance and remuneration outcomes during the year

Salary, pension and benefits

Our review of Executive Directors' salaries this year considered external market factors alongside wider workforce pay increases. The Committee has awarded salary increases of 3.75% to John Pettigrew and 6.5% to Andy Agg, both effective 1 July 2022. These changes are compared to an average increase of 4% across the UK wider workforce.

Our previous Directors' Remuneration Report (DRR) disclosed a three year plan to bring Andy Agg's base salary to a level broadly equal to the market median for his role. Andy's increase this year is the last installment to align his base pay.

As set out in our DRR last year, we acknowledged expectations from our shareholders to align Executive Directors' pension contribution rates with the majority of the UK wider workforce and have set out an approach to progressively do so. To that end, the pension allowances of John Pettigrew and Andy Agg were reduced to 12% of salary as of 1 April 2022, in line with pension contribution levels in the UK wider workforce, representing a material reduction in their fixed remuneration levels.

Annual Performance Plan (APP)

The APP for 2021/22 was based on financial performance measures (60%), operational measures (20%) and individual objectives (20%) that reflect key business and operational performance goals.

Financial performance (60%)
The Company has again had a successful year, delivering strong financial results while investing in the net zero energy transition. In parallel, we saw the solid execution of a complex set of portfolio transactions to integrate WPD, progress on the agreement to sell the US Rhode Island business, and the sale of a majority stake in the UK Gas Transmission business.

Formulaic outturns from the financial portion of the APP were 89.0% of the maximum based on achievement of 78.0% of maximum for Group Underlying EPS and 100% of maximum for Group RoE. APP outcomes are determined by financial results, with technical adjustments to targets including currency adjustments, unbudgeted pension costs and scrip dividend dilution, all in line with past practice.

Operational performance (20%)
The Committee allocated 10% of the operational portion of the 2021/22 APP to ensure strong execution of the portfolio transactions and a focus on value delivery for shareholders. Over the year, we announced the sale of a 60% equity stake in the UK Gas Transmission business, effectively managed regulatory and legal processes, and demonstrated solid progress on the initial integration of WPD into the Group. In this context, the Committee has set the performance outturn for the transactions at 10 out of 12 which is 83.33% of the maximum.

ESG measures make up the remaining 10% of the operational portion of the 2021/22 APP. These measures reflect quantifiable environmental emissions and diversity targets aligned to key commitments set out in our RBC. The outturn for the ESG portion of the APP was 6 out of 8 which equates to 75% of the maximum, reflecting solid delivery of SF_6, CO_2 and methane emission reductions, and progress on DEI goals.

Individual objectives (20%)
Performance against individual objectives resulted in outturns of 80% and 85% of the maximum for John Pettigrew and Andy Agg respectively.

Taking all the elements of performance together, the overall APP awards to the Executive Directors on the Board on 31 March 2022 were 85.2% of the maximum for John Pettigrew and 86.2% of the maximum for Andy Agg.

The details of the 2021/22 APP are further outlined on pages 114 – 116.

In reaching its overall decisions on the APP, the Committee considered the strong performance and delivery throughout the year across financial, operational, and individual objectives and determined no discretion was required to the APP formulaic outcome.

Long-Term Performance Plan (LTPP)
The measurement period of the 2019 LTPP ended on 31 March 2022 and consisted of two measures – Group Value Growth and Group RoE. As discussed in last year's report, the weighting of performance measures for the 2019 LTPP is one third Group RoE and two thirds Group Value Growth.

The formulaic vesting outcome of the 2019 LTPP was 74.22% of the maximum. The Committee reviewed whether there were any factors which might cause it to reduce the vesting levels and concluded after careful consideration that the vesting levels fairly reflected business performance and shareholder experience over the performance period.

As communicated in our DRR last year, we took the decision, given the timing and complexity of the portfolio transactions, to disclose the performance targets for the 2021 LTPP in this year's report. Note the 2021 LTPP award reverts to equal weighting of Group RoE and Group Value Growth performance measures. More details are set out on page 117.

Single figure and shareholding
The 2021/22 total remuneration single figures for John Pettigrew and Andy Agg are £6.5 million and £3.5 million respectively. These outcomes reflect strong, consistent short-term annual performance delivery in 2021/22 and longer-term value creation. The 2019 LTPP outcome makes up nearly £4 million of the overall single figure for John Pettigrew and nearly £2 million for Andy Agg. The value of the 2019 LTPP award is driven by the material share price growth of over 30% over the three-year performance period which in addition to dividends resulted in a total shareholder return (TSR) of 52%. These outcomes also reflect the heavy weighting on long-term share-based pay in our reward structure.

In last year's DRR, we set out an intent to review our post-employment shareholding requirement. As part of our Policy review, the Committee has concluded no changes are required. This decision considers an in-employment shareholding requirement (CEO: 500% of salary and other Executive Directors: 400% of salary) which is at the top end of market practice, and a post-employment shareholding requirement (200% of salary), which is in line with market practice. The Committee felt strongly it would be in the interest of shareholders to preserve the Executive Directors' shareholding requirements levels to ensure strong alignment with the shareholder experience.

Our 2022 Policy renewal

During the year, the Committee conducted a review of the Executive Directors' Remuneration Policy, considering:

1) alignment to our business strategy and wider stakeholders (incentive measures and target-setting);
2) alignment to our talent strategy (quantum and market practice); and
3) corporate governance requirements.

Having discussed these proposals with a number of our shareholders and governance bodies, the Committee proposes to make the following key changes to the Remuneration Policy, subject to their approval by shareholders at the 2022 AGM.

Financial and operational performance measures:
- Retain Group RoE in both the APP and LTPP to ensure the efficiency of annual operational delivery and the quality and sustainability of long-term shareholder value creation.
- Replace Group Value Growth in our LTPP with a three-year cumulative Underlying EPS measure. We believe a more recognised and commonly used measure will simplify remuneration and enhance transparency for both shareholders and employees, and create strong alignment to the Company's investor proposition.
- Retain an in-year earnings measure – i.e. Underlying EPS in our APP to ensure we continue to incentivise and reward strong operational delivery.

Whilst we recognise our short-term (APP) and long-term (LTPP) financial measures are similar, we believe these are the right measures to support delivery of the business strategy and the resultant creation of shareholder value.

The combination of annual and long-term earnings and returns measures act together to incentivise strong operational delivery in-year, together with long-term sustainable growth. As such, financial measures have been designed to incentivise different elements of performance in the short-term (APP) and the long-term (LTPP). See pages 129 – 130 for a further overview of our financial performance measures for 2022/23.

Environmental, Social and Governance
Our 2022 Policy expands the focus of ESG and incorporates further measures aligned to targets set out in our RBC.

- Broaden and simplify ESG measures in the APP to reflect key elements of our responsible business strategy – customers, colleagues and DEI.
- Introduce net zero transition measures aligned to:
  i) quantitative reductions in our Scope 1 emissions; and
  ii) the enablement of the net zero transition.

Finally, we recognise the value of some flexibility in the Policy to better adapt to business and market changes. As such, our new Policy provides greater flexibility to:

- enable the Committee to set appropriate financial, strategic, and ESG measures and weightings in respect of each APP/LTPP award; and
- provide for the possibility of a one-year additional maximum incentive level of up to 50%, to be used only in exceptional circumstances (e.g. recruitment).

No material changes would be made to performance measures without prior consultation with major shareholders.

Other matters

When taking remuneration decisions in relation to Executive Directors, the Committee takes into consideration remuneration data across the industry (through market benchmarking) and our wider workforce (e.g. CEO pay ratio, gender and ethnic pay gap data, and colleagues' views on executive pay) to ensure decisions are fair, equitable, and aligned to performance in line with the Company's values.

Fair and equitable reward is at the heart of National Grid's values. Within the UK, National Grid continues to be an accredited real living wage employer by the Living Wage Foundation. Our UK mean gender base pay gap of -1.6% (median of 2.4%) has shown a strong trend since 2018 in closing the pay gap between genders working in comparable roles. Across the US, our mean gender base pay gap continues to improve from 13.5% in 2021 to 12.6% this year. Additional gender and ethnic pay gap data is reported in our Responsible Business Report (RBR).

Payment to past Directors

Nicola Shaw stood down from the Board on 26 July 2021 and stayed with the Company until after the conclusion of the RIIO-T2 CMA appeal process and continued as Chair of the Company's subsidiaries, National Grid Electricity Transmission plc and National Grid Gas plc. She was deemed to be a good leaver given her overall long-term strong performance and contribution to the business. She remained in active employment until 31 October 2021, after which she was not eligible for 2021/22 APP and received salary and benefits until her final employment date of 30 April 2022, as per the terms of her contract. Her APP was pro-rated for her period of active employment for 2021/22. Her 2019 LTPP will vest at the normal vesting date in July 2022, subject to performance conditions and is pro-rated for time served to the final employment date of 30 April 2022, in accordance with the plan rules.

Details of Nicola Shaw's remuneration in relation to the period 1 April 2021 to 26 July 2021 (qualifying service as an Executive Director) and 27 July 2021 to 31 March 2022, are presented in the Single Total Figure of Remuneration table on page 114. All payments are in accordance with her service agreement, the Directors' Remuneration Policy and in line with our June 2021 Corporate Governance disclosure.

Conclusion

On behalf of the Committee, I would like to thank shareholders for their input and engagement this year. We continue to aim to maintain an open dialogue on remuneration matters and welcome your further comments and feedback. We respectfully ask for your support at the forthcoming AGM.

Lord Ian Livingston
Committee Chair

Remuneration at a glance – 2021/22

Our 'At a glance' highlights the performance and remuneration outcomes for our Executive Directors for the year ended 31 March 2022. Further detail is provided in the Statement of implementation of Remuneration Policy in 2021/22.

	Policy summary (adopted 2019)	Outcomes for 2021/22
Salary	Target mid-market salary levels against: • FTSE 11 – 40 for UK-based Executive Directors • US general industry and US energy services companies with similar revenue for US-based Executive Directors	• John Pettigrew's salary increased by 2.3% to £1,053,000 as of 1 July 2021 in line with wider workforce increases • Andy Agg's salary increased by 6.5% to £675,000 as of 1 July 2021 reflecting a previously communicated progressive increase to continue to align his salary with the market rate for his role
Pension and benefits	Provide market competitive reward to assist in the attraction and retention of talent: • Eligible to participate in defined contribution plan (or defined benefit if already a member). • From April 2022, all UK Executive Directors' pension contributions are 12% of base salary in line with levels across the UK-based workforce.	• John Pettigrew's cash allowance was 23.4% of salary for 2021/22 (compared with 26.7% in 2020/21); reducing to 12% on 1 April 2022 • Andy Agg's cash allowance was 20% of salary for 2021/22; reducing to 12% on 1 April 2022 • Other benefits remain unchanged
Annual Performance Plan	Incentivise and reward achievement of annual financial, operational, and individual performance: • Maximum opportunity is 125% of salary • 50% paid in cash • 50% paid in shares which must be retained for at least two years or until the shareholding requirement is met, if later • Subject to both malus and clawback	See 2021/22 Annual Performance Plan below
Long-Term Performance Plan	Incentivise long-term business performance and align reward to our strategy: • Maximum award level is 350% of salary for CEO and 300% for other Executive Directors • Vesting is subject to long-term performance conditions • Shares which must be retained for at least two years following vesting or until the shareholding requirement is met, if later • Subject to both malus and clawback	See 2019 Long-Term Performance Plan below
Shareholding requirements	Create strong alignment with shareholder experience: • 500% of salary for CEO • 400% of salary for other Executive Directors • Post-employment shareholding requirement of 200% of salary for two years	See shareholding chart below

2021/22 Annual Performance Plan

Performance measures (% weighting)	
Financial (60%)	89.00%
Operational (20%)	79.17%
Individual – John Pettigrew (20%)	80.00%
Individual – Andy Agg (20%)	85.00%

APP outcome

	% of Maximum	Actual (£'000s)	Maximum (£'000s)
John Pettigrew	85.2%	£1,116	£1,309
Andy Agg	86.2%	£717	£831

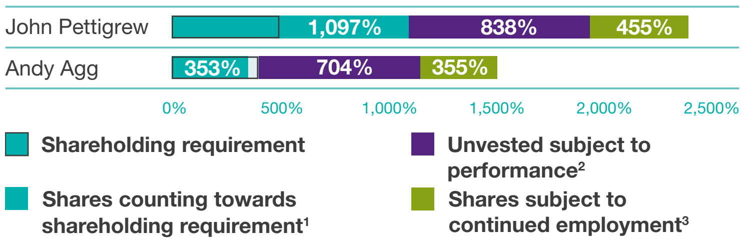
2019 Long-Term Performance Plan

Performance measures (% weighting)	
Group Value Growth (66.67%)	100.00%
Group RoE (33.33%)	22.67%

LTPP outcome

	% of Maximum	Actual (£'000s)	Maximum (£'000s)
John Pettigrew	74.22%	£3,997	£5,386
Andy Agg	74.22%	£1,980	£2,668

Shareholding requirements



1. Represents beneficially owned shares as well as shares held in trust as part of the APP deferred share awards.
2. Represents the 2020 and 2021 LTPP awards subject to ongoing performance.
3. Represents LTPP shares subject to holding period plus shares held as part of the Sharesave scheme, if any.

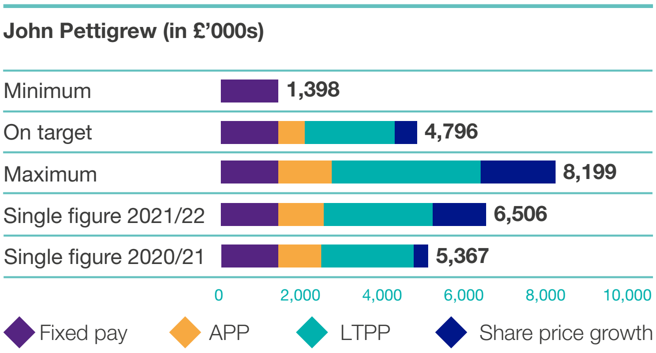
Andy Agg is expected to meet his shareholding requirement next year.

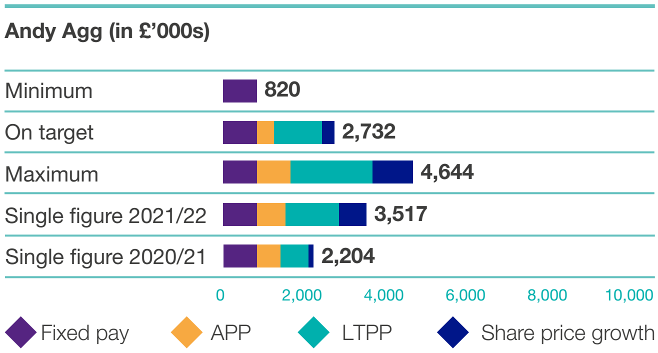
Note As noted in the Chair letter (payment to past Directors), Nicola Shaw stood down from her role as Executive Director on 26 July 2021. She remained in active employment until 31 October 2021, after which she was not eligible for 2021/22 APP and received salary and benefits until her final employment date of 30 April 2022 as per the terms of her contract. Details of Nicola's remuneration in relation to the period 1 April 2021 to 26 July 2021 (qualifying service as an Executive Director) and 27 July 2021 to 31 March 2022, are presented in the Single Total Figure of Remuneration table on page 114.

Remuneration at a glance – 2021/22 continued

Single total figure of remuneration for 2021/22

A comparison of the 2021/22 single total figure of remuneration, with the maximum remuneration if variable pay had vested in full, is set out below.





Notes: Maximum total figure of remuneration for 2020/21 for John Pettigrew was £6.557 million and £2.625 million for Andy Agg.

The 2021/22 single total figures of remuneration for John Pettigrew and Andy Agg are £6.506 million and £3.517 million respectively. These outcomes reflect strong annual performance delivery in 2021/22 and longer-term value creation as evidenced in the 2019 LTPP outcome. The single total figures of remuneration are in large driven by the heavy weighting on long-term share awards which make up to two-thirds of total remuneration, and nearly 80% of variable pay. The 2019 LTPP performance is driven in part by the impact of share price growth of 31.6%, yielding a Total Shareholder Return (TSR) of 52% over the three-year performance period in addition to long-term business performance delivery.

The 2021/22 total single figures represent an achievement of 79.4% for John Pettigrew and 75.7% for Andy Agg of the total maximum opportunity for 2021/22. This is line with last year's outcomes which were 81.8% for John Pettigrew and 83.9% for Andy Agg of the total maximum opportunity for 2020/21.

Alignment of remuneration with our business strategy

We align our performance linked elements of remuneration (APP and LTPP) through our strategic priorities, our RBC commitments, and our vision of a clean, fair and affordable energy future.

Our vision and values
Our vision is to be at the heart of a clean, fair and affordable energy future.

Every day we do the right thing, find a better way, and make it happen.

Our strategic priorities
- Enable the energy transition for all
- Grow our organisational capability
- Deliver for customers efficiently
- Empower colleagues for great performance

Our RBC commitments
- The environment
- Our people
- Our communities
- The economy
- Our governance

Key principles of our remuneration strategy
- Reward delivery of the Group's strategy in a matter that is simple, transparent, and aligned to shareholders' interests
- Attract, motivate, and retain senior executives with market-competitive reward
- Align performance measures to the way National Grid earns its returns for shareholders, with targets set to incentivise stretching financial and operational performance in line with shareholder expectations
- Reflect and underpin the Company's vision, values, and contribution to society

How we achieve this in practice
- Alignment of APP and LTPP performance measures to core financial and non-financial KPIs
- Heavy weighting towards share-based long-term pay to reflect the nature and duration of National Grid's businesses and asset lives
- A mandatory two-year holding period for APP share awards and vested LTPP awards
- A very high minimum shareholding requirement for senior executives (500% for the CEO – equivalent to nine times the after-tax salary)
- A post-employment shareholding required for all senior executives

Our 2022 Remuneration Policies are aligned to our business strategy

Enable the energy transition for all	Deliver for customers efficiently	Grow our organisational capability	Empower colleagues for great performance
Addition of net zero measures in LTPP aligned to commitment set our in our RBC	Financial measures strongly aligned to incentivise operational excellence and long-term value creation	Increased flexibility to better adapt measures to align to critical priorities that underpin short/ longer-term performance	Emphasis on Company culture and DEI in APP

Remuneration Policy 2022 overview

Our proposed Remuneration Policy seeks to ensure strong alignment with National Grid's strategic priorities and to measure the success of management in achieving key short-and long-term financial, operational, and ESG objectives. The key elements of our Policy and the implementation for 2022/23 are set out below:

- ESG and, in particular, the energy transition, is at the heart of our strategic priorities. Our Policy expands the focus on ESG measures in the APP and incorporates further measures in the LTPP aligned to targets set out in our RBC.
- The replacement of Group Value Growth with a cumulative Underlying EPS measure in the LTPP creates a simpler and transparent measure of performance aligned to measure long-term value creation together with Group RoE.
- Flexibility in the Policy to adapt to the changing nature of the business and enable the attraction, retention, and incentivisation of talent in an increasingly competitive market.

	Proposed Policy changes (2022)	Implementation in 2022/23
Salary	• No change	• John Pettigrew's salary will increase by 3.75% to £1,092,500 – below the average increase of the wider workforce at 4% • Andy Agg's salary will increase by 6.5% to £719,000 – in line with previously communicated intention to align his salary with the market rate over a multi-year period subject to performance and progression in the role
Pension and benefits	• All new and existing UK-based Executive Directors will receive pension contributions of up to 12% of base salary for the defined contribution (DC) scheme or cash in lieu, in line with the level for new joiners across the UK wider workforce	• John Pettigrew's and Andy Agg's pension cash allowance will be 12% from 1 April 2022
Annual Performance Plan (APP)	• No change	• Proposed measures for 2022/23: – Group RoE (35%) – Underlying EPS (35%) – Operational measures – Customer, Colleagues, Diversity (15%) – Individual objectives (15%)
Long-Term Performance Plan	• No change to opportunity levels, vesting period and holding period • Financial measures to comprise at least 60% of the LTPP; introduction of an ESG measure expected to make up 20% of the LTPP • Flexibility to set a mix of financial, strategic and ESG measures and weightings every year • In the event of future proposals to make material changes to measures/weightings, the Committee will engage with shareholders as appropriate	• Proposed measures for 2022/23: – Cumulative three-year Underlying EPS (40%) – Group RoE (40%) – Net zero transition measures (20%)
Shareholding requirements	• No change	
Malus and Clawback	• Enhanced wording to reflect the corporate governance changes and market practice	
NED fees	• Simplified structure to have one standard base fee for US and UK based NEDs • Provides flexibility to reflect additional responsibilities where these are material to the roles	• Alignment of NED fees to market rates (see page 131)

In addition to the above, the proposed Policy also provides, in exceptional circumstance only (such as recruitment), flexibility to award up to 50% of salary in addition to the normal policy maximum across APP/LTPP for one year only.

Directors' Remuneration Report continued

Statement of implementation of Remuneration Policy in 2021/22

Content contained within a blue box indicates that all the information in the panel is audited.

2021/22 Remuneration Implementation

Single Total Figure of Remuneration – Executive Directors

The following table shows a single total figure in respect of qualifying service for 2021/22, together with comparative figures for 2020/21. All figures shown as £'000's:

	John Pettigrew		Andy Agg		Nicola Shaw[1]			
	2022	2021	2022	2021	qualifying service as Executive Director – 1 April '21 to 26 July '21	27July '21 to 31 March '22	2022 (Total)	2021
Salary	1,047	1,029	665	624	181	391	571	562
Benefits in kind	101	110	22	32	4	14	18	15
Pension	245	275	133	125	42	91	134	150
Total fixed pay	1,393	1,414	820	781	227	496	723	727
APP	1,116	1,035	717	618	359	*refer to APP note*	359	537
LTPP	3,997	2,918	1,980	805	1,765	*refer to LTPP note*	1,765	1,364
Total variable pay	5,113	3,953	2,697	1,423	2,124	–	2,124	1,901
Total remuneration	6,506	5,367	3,517	2,204	2,351	496	2,847	2,628

Notes:

1. Nicola Shaw stood down from the Board on 26 July 2021 and stayed with the Company until after the conclusion of the RIIO-T2 CMA appeal process and continued as Chair of the Company's subsidiaries, National Grid Electricity Transmission plc and National Grid Gas plc. She remained in active employment until 31 October 2021, after which she was not eligible for the 2021/22 APP and received salary and benefits until her final employment date of 30 April 2022 as per the terms of her contract. For reporting purposes, we have presented the complete APP and LTPP amount in the qualifying service column. Please refer to the APP note below for reference amounts for the respective period.

Salary: As of 1 July 2021, John Pettigrew and Nicola Shaw were each awarded a salary increase of 2.3% in line with the wider workforce increase. Andy Agg was awarded an increase of 6.5% as part of a multi-year plan to progressively align his salary with the market rate for his role since his appointment in January 2019.

Benefits in kind: Benefits in kind (BIK) include private medical insurance, life assurance, a fully expensed car or cash alternative and the use of a car and a driver when required. For John Pettigrew, the use of a car and driver amounted to approximately £85,500 for 2021/22 (and approximately £89,000 for 2020/21). There were no Sharesave options granted to any Executive Directors during 2021/22.

Pension: Pension contributions/cash in lieu for John Pettigrew and Nicola Shaw are 23.4% of salary for 2021/22 and 20% of salary for Andy Agg. Contributions will fall to 12% of salary for all Executive Directors from 1 April 2022.

APP: Nicola Shaw's APP is pro-rated for her period of active employment for 2021/22, i.e. 1 April 2021 to 31 October 2021. For reference, the pro-rated APP for the qualifying service as an Executive Director (1 April 2021 to 26 July 2021) is 55% of the total amount (i.e. circa £197,000 of the total amount of £359,000) and remaining 45% (i.e. circa £162,000 of the total amount of £359,000) for the period 27 July 2021 to 31 October 2021. Details on her financial, operational and individual objective assessment can be found on page 115 – 116.

LTPP: The 2019 LTPP is due to vest in July 2022. The average share price over the three months from 1 January 2022 to 31 March 2022 of 1,098.09 pence has been applied and estimated dividend equivalents are included. The 2020/21 LTPP figures have been restated to reflect the actual share price on vesting and all dividend equivalent shares. As the vesting share price of 930.43 pence was higher versus the estimate of 855.04 pence (and the additional dividend equivalent shares added for the dividend with a record date of 4 June 2021 with a dividend rate of 32.16 pence per share), the actual value at vesting was circa £296,000, £82,000 and £138,000 higher than for the estimate published last year for John Pettigrew, Andy Agg and Nicola Shaw, respectively. Nicola Shaw's 2019 LTPP will vest at the normal vesting dates 1 July 2022 subject to performance conditions and is pro-rated for time served to the date of 30 April 2022 in accordance with plan rules.

Impact of share price change: The 2019 LTPP awards were granted on 28 June 2019 with a share price of 834.11 pence. The impact of share price change for the 2019 LTPP, comparing share price at grant versus the average share price for the period 1 January 2022 to 31 March 2022 of 1,098.09 pence, is an increase of 263.98 pence (31.6%) per share compared with an increase of 2.1% for the 2018 LTPP performance period (excluding dividends).

Total pension benefits

Andy Agg, John Pettigrew and Nicola Shaw received a cash allowance in lieu of participation in a pension arrangement. There are no additional benefits on early retirement. The values of these benefits received during this year, are shown in the single total figure of remuneration table.

John Pettigrew has also accrued defined benefit (DB) entitlements; he opted out of the DB scheme on 31 March 2016 with a deferred pension and lump sum payable at his normal retirement date of 26 October 2031. At 31 March 2022, John Pettigrew's accrued DB pension was reduced to £85,409 per annum and his accrued lump sum was £256,225. These figures reflect a permanent change in John Pettigrew's pension entitlements going forward. No additional DB entitlements have been earned over the financial year, other than an increase for price inflation due under the pension scheme rules and legislation. Under the terms of the pension scheme, if John Pettigrew qualifies for ill-health requirements, or is made redundant, a pension may be payable earlier than his normal retirement date. A lump sum death in service benefit is also provided in respect of these DB entitlements.

2021/22 Annual Performance Plan

APP awards reward delivery against annual financial, operational and strategic performance targets and goals. For 2021/22, financial measures represent 60% of the award, operational measures 20%, and individual objectives the remaining 20% of the maximum. Payment of the APP award is made in shares (50% of the award) and cash (50% of the award). Shares (after any sales to pay associated tax) must be retained until the shareholding requirement is met, and in any event for a minimum of two years after receipt.

For financial measures, threshold, target and stretch performance levels are set by the Committee for the performance period and pay out at 0%, 50% and 100% of the maximum calculated on a straight-line basis. Operational measures have been assessed on a four-point scale (not met, partially achieved, achieved and over-achieved) based on quantitative targets set at the beginning of the year by the Committee. Target and stretch performance levels for the individual objectives are also predetermined by the Committee for the performance period, and an assessment of the performance relative to the target and stretch performance levels is made at the end of the performance year on each objective. Executive Directors have a maximum opportunity of 125% of base salary.

APP – Financial performance

The Group delivered strong financial performance in the year whilst also executing a complex set of portfolio transactions. Investment in critical infrastructure remained strong, with capital investment (continuing) of £6.7 billion driving asset growth of 8.7%. The businesses delivered solid earnings and returns, in particular in our UK Electricity and Gas Transmission and Metering businesses. The financial performance outcomes of the 2021/22 APP awards are summarised in the tables below:

Measure	Weighting (% of APP)	Threshold	Target	Stretch	Outcome (% of max)
Group Underlying EPS (pence per share) (A)	30%	72.0	75.0	78.0	78.0%
			76.7		
Group RoE (%) (A)	30%	9.8%	10.2%	10.6%	100.0%
			11.4%		
Total financial outturn					**89.0%**

(A) **Denotes an 'alternative performance measure' as described on pages 268 – 279**

Notes: Underlying EPS: Technical adjustments have been made to increase the performance range (each of the threshold, target and stretch) by 1.6 pence to reflect the net effect of currency adjustments, US pension assumptions, and scrip issuance. Financial targets were set to include the impacts of the portfolio transactions, specifically the addition of WPD to the Group. Group underlying EPS of 76.7 pence includes 11.4 pence from UK Gas Transmission discontinued operations, and excludes timing and major storm costs as outlined on page 271 in the Financial Results.
Nicola Shaw: The total financial outturn for Nicola was 96.3% of maximum based on performance against equally weighted measures (20% each) of UK RoE (outcome of 100% of max), UK underlying operating profit (outcome of 100% of max) and UK regulated controllable costs (outcome of 88.9% of max). Technical adjustments were applied to UK operating profit for the impact of CPI on revenues. The UK outturn is based on an equal weighting of the UK Electricity Transmission and UK Gas Transmission and Metering businesses.

APP – Operational performance

The operational measures (20%) of the 2021/22 APP were weighted equally between two key objectives – 1) effective completion of the Group portfolio transactions (10%); and 2) quantifiable ESG measures to reduce factors relating to Scope 1 direct carbon emissions and improve employee diversity.

Operational measures were assessed on a four-point scale (not met, partially achieved, achieved and over-achieved) based on quantifiable targets where possible and qualitative outcomes to reflect a balanced assessment of performance. All ESG measures were evaluated against quantifiable targets which are aligned to our RBC commitments.

Measure	Details	Assessment	Outcome
Transactions (10%)	Effective management to the satisfaction of the Board: • WPD transaction • Sale and separation of UK GT • Separation of RI	WPD: New operating model design, embedded culture and values, maintained business continuity and performance.	4 Over-achieved
		UK GT: Successfully secured sale of 60% stake of the business, alongside strong business performance delivery.	3 Achieved
		RI: Well-executed separation process, plans in place to mitigate or offset all stranded costs, transaction to complete in 2022/23	3 Achieved
Outcome – Transactions			**(10/12) 83.33%**
Group wide Scope 1 carbon emissions (5%)	Reduce Group-wide CO_2 impact from: • Vehicle fleet (68 Light Duty Vehicles (LDVs) converted) • Business air travel (<11,961,416 airmiles or 5 KT CO_2e) Reduce network carbon emissions from: • SF_6 emissions (21.8 KT CO_2e reduction) • Leak prone pipe (10.811 KT CO_2e avoided) • Emission leaks and compressor cab venting (4.4 KT CO_2e reduction)	Met and/or exceeded performance targets for four out of the five emissions measures most notably: • Business air travel (5,553,932 airmiles or 1.2 KT CO_2e) • SF_6 emissions (71 KT CO_2e reduction) • Leak prone pipe replacement (10.853 KT CO_2e avoided) • Compressor cab venting emissions reduction (18 KT CO_2e) • Fleet emission reductions just behind target measure with 62 LDVs converted	3 Achieved
Diversity (5%)	Deliver sustainable improvement in gender and ethnic diversity in line with key targets in our RBC • New hire rates • Promotion rates • Leaver rates • Strategic leadership group (SLG), (top ~110 leaders) • New talent diversity	Improved diversity in six of the eight Group-wide measures most notably: • Exceeded new hire targets (28% and 30%) for gender and ethnicity • Improved SLG diversity to 48% (target of 46%) • Increased new talent diversity to 57.7% (target of 50%) • Gender and ethnic leaver rates fell short of targets and remain a further focus area for 2022/23 Progress underpinned by robust delivery of a Group-wide DEI strategy.	3 Achieved
Outcome – ESG			**(6/8) 75.00%**
Combined operational outcome			**79.17%**

Notes: Diversity is defined as colleagues who have identified themselves of varying gender, sexual orientation, disability, under-represented racial and/or ethnic group.

Statement of implementation of Remuneration Policy in 2021/22 continued

APP – Individual objectives

In addition to the financial and operational goals previously discussed, the Board approves annual individual performance goals for the Executive Directors in line with key operational and strategic priorities. Performance is assessed at the end of the financial year by the Board and Remuneration Committee. The CEO completed a self-evaluation which was shared with members of the Board for their comments. The Chair compiled these comments, and based on these comments, proposed a scoring for each of the goals. The CEO undertook the same process for the other Executive Directors and presented his recommendations to the Committee in May 2022. The table below sets out the 2021/22 individual objectives together with associated performance commentaries and the Committee's assessment of the performance outcome for each of the Executive Directors:

Individual objectives and performance summary – John Pettigrew	Outcome
Execute on the announced portfolio repositioning and deliver results on organisational streamlining • Successful execution of the strategic pivot to electricity; purchase of WPD • Effective management of divestitures and transition of WPD into the Group whilst ensuring solid business performance/continuity • Progression and development of the Company's long-term strategic blueprint	80%
Demonstrate substantial progress in modernising how the Group works, enhancing a culture of accountability • Demonstrated progress in shifting the Group's culture, with a strong focus on DEI and positive employee satisfaction results • Made progress to improve bench strength of senior leadership group and Group Executive team	
Raise the level of engagement with the public, communities and government • COP26 and Capital Markets Day – repositioned National Grid across key stakeholder groups as a critical part of the energy transition • Strengthened governmental, public and community relations, and key relationships in particular at the local level	

Individual objectives and performance summary – Andy Agg	Outcome
Successfully execute the portfolio repositioning • Effectively managed financing strategy and credit ratings approach for the acquisition of WPD • Strong execution of portfolio repositioning; divestment of 60% stake in UK Gas Transmission, 50% stake in St William Homes LLP • Successfully ensured the mitigation of all stranded costs resulting from the portfolio transactions	85%
Demonstrate progress in the Group-wide and Finance transformation programmes • Strong leadership across the Group driving in-year delivery and progression of £400 million of cost efficiencies per annum by the end of 2023/24 • Delivered solid progress against key transformation milestones, advanced key process and technology enabled efficiencies • Improved talent, succession potential, and capabilities within the CFO function	
Deliver enhanced investor engagement programme • Successfully engaged investors on the five-year investor framework and strategic pivot to electricity with positive feedback/sentiment • Increased transparency of our responsible business strategy yielding positive engagement and external ESG company ratings	

Individual objectives and performance summary – Nicola Shaw	Outcome
Successfully execute on UK businesses priorities • Effectively managed UK businesses to deliver on track mid-year financial performance for first year of RIIO-T2 • Successfully implemented operating model to stand up separate Electricity and Gas Transmission UK businesses	65%
Deliver a successful Competition & Markets Authority outcome • Led process to submit all RIIO-T1 reopeners with Ofgem • Managed and executed the CMA process effectively; with a positive result on the out-performance wedge	
Grow National Grid's positioning on the UK's net zero future • Established East Coast asset investment strategy to facilitate connection of 40+ GW of offshore renewables by 2030 • Fostered strong relationships with key stakeholders to lay the groundwork for the development of net zero investment roadmap	

2019 Long-Term Performance Plan award

The 2019 LTPP that will vest on 1 July 2022 was structured as outlined below in consideration of the transition to RIIO-T2 in the UK during the performance period. The financial measures and weightings of the 2019 LTPP below are the same for all Executive Directors.

- Group RoE over a two-year period (2019/20 – 2020/21) determines one third of the award
- Group Value Growth over the three-year period (2019/20 – 2021/22) determines two thirds of the award

The outturns of the 2019 LTPP reflect solid business performance over the three-year period, and are summarised below:

Performance measure	Weighting	Threshold 20% vesting		Maximum 100% vesting	Actual % of maximum
Group RoE A	33.33%	11.0%	11.1%	12.5%	22.67%
Group Value Growth A	66.67%	10.0%	12.7%	12.0%	100.00%
Overall vesting outcome					**74.22%**

A **Denotes an 'alternative performance measure' as described on pages 268 – 279**

As disclosed in last year's DRR, the Group Value Growth measure in 2019 includes an upward adjustment versus the reported measure to reflect the value added from the sale of the residual interest in the UK Gas Distribution business and to adjust for the revised timing of UK cash tax payments. The Committee decided not to reflect upward adjustments to Group RoE or Group Value Growth for prior years (+0.3% in 2019/20 and +0.2% in 2020/21) resulting from the revisions described in note 1F to the consolidated financial statements in 2020/21 into the 2019 LTPP.

2019 LTPP Vesting

The 2019 LTTP vesting reflects both the final performance outturn and the impact share price and dividends from the time of issue to vesting date. For the 2019 award, the share price appreciation represents a material proportion of the total vesting value. The 2019 LTPP awards were granted on 28 June 2019 with a share price of 834.11 pence. Comparing the share price at grant versus the average share price for the period 1 January 2022 to 31 March 2022 of 1,098.09 pence, yields a share price gain for the 2019 LTPP of 263.9 pence (31.6%) per share in addition to estimated dividend yield of 148.7 pence per share.

The amounts due to vest under the 2019 LTPP for the performance period that ended on 31 March 2022 which are included in the 2021/22 single total figure table on page 114, are shown in the table below. The current share price valuation is an estimate based on the average share price over the three months from 1 January 2022 to 31 March 2022 of 1,098.09 pence and the proposed dividend with record date of 6 June 2022, subject to shareholder approval, is included. The total value of awards vesting and dividend equivalent shares are subject to a two-year holding period.

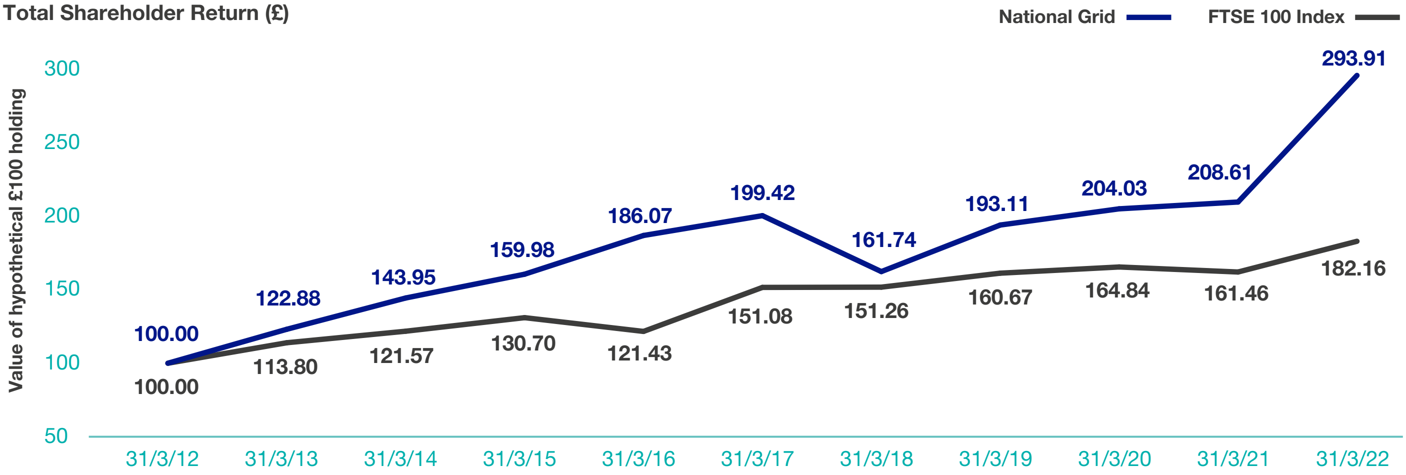
	Shares awarded	Performance outcome (% of maximum)	Vested shares based on performance	Face value of the award at grant (£'000s)	Share price appreciation (£'000s)	Dividend equivalent shares (£'000s)	Total value (£'000s)
John Pettigrew	431,969	74.22	320,607	2,674	846	477	3,997
Andy Agg	213,999	74.22	158,830	1,325	419	236	1,980
Nicola Shaw[1]	190,739	74.22	141,566	1,181	374	211	1,765

1. Nicola Shaw's 2019 LTPP will vest at the normal vesting date of July 2022 subject to performance conditions. The amount shown under 'Shares awarded' is pro-rated for time served to the termination date of 30 April 2022 in accordance with the plan rules.

Assessment of National Grid shareholder returns

The figure below outlines National Grid plc's 10-year annual TSR performance against the FTSE 100 Index since 31 March 2012 and illustrates the growth in value of a notional £100 holding invested in National Grid on 31 March 2012, compared with the same invested in the FTSE 100 Index. The FTSE 100 Index has been chosen because it is a widely recognised performance benchmark for large companies in the UK and it is a useful reference to assess relative value creation for National Grid shareholders. Over the last 10-year period, National Grid's relative TSR is 194% versus the FTSE 100 at 82% demonstrating sustainable long-term value for our shareholders. Over the more recent three-year performance period for the 2019 LTPP, National Grid's relative TSR was 52% versus the FTSE 100 relative TSR of 13%, which underscores the strong alignment of our Remuneration Policy with the value delivered for our shareholders.

Total Shareholder Return (£)



Data source: Datastream by Refinitiv

Notes: The TSR level shown at 31 March each year is the average of the closing daily TSR levels for the 30-day period up to and including that date. It assumes dividends are reinvested.

2021 Long-Term Performance Plan

2021 LTPP performance conditions

As disclosed in last year's DRR, we reverted to equal weighting for Group RoE and Group Value Growth, measured over the entire three-year performance period, for the 2021 LTPP. Below are the performance ranges for the two measures in the 2021 LTPP. As noted, setting of targets was delayed to enable proper consideration of the portfolio transactions for WPD, UK Gas Transmission, and the US Rhode Island businesses.

Performance measures	Weighting	Threshold 20% vesting	Maximum 100% vesting
Group RoE	50%	9.75%	11.00%
Group Value Growth	50%	9.25%	11.00%

Notes: Vesting between threshold and maximum will be on a straight-line basis. The calculation for the Group RoE measure will reflect the updated methodology from 2021/22 going forward as outlined on page 277 of the Annual Report.

2021 LTPP (conditional awards) made during the year

The face value of the awards are calculated using the volume weighted average share price at the date of grant. The share price at the date of grant on 28 June 2021 was 924.68 pence. The 2021 LTPP grant will vest on 1 July 2024. The total value of awards vesting and dividend equivalent shares are subject to a two-year holding period following vesting.

	Basis of award (% of base)	Number of shares	Face value (£'000)	Proportion vesting at threshold performance	Performance period end date
John Pettigrew	350%	398,568	£3,686	20%	31 March 2024
Andy Agg	300%	218,993	£2,025	20%	31 March 2024

Statement of Directors' shareholdings and share interests

The Executive Directors are required to build up and hold a shareholding from vested share plan awards. The following table shows the position of each of the Executive Directors in relation with the shareholding requirement and the number of shares owned by the Non-executive Directors, including connected persons. The shareholding is as of 31 March 2022 and the salary used to calculate the value of the shareholding is the gross annual salary as of 31 March 2022.

John Pettigrew continues to meet his shareholding requirement. Andy Agg, who was appointed the CFO in 2019, has not yet met his shareholding requirement and is expected to do so in 2023. The projections assume on-target performance/vesting outcomes. They will not be allowed to sell shares, except for covering associated tax liabilities, until their individual shareholding requirements are met. Non-executive Directors do not have a shareholding requirement.

Further shares have been purchased in each of April and May 2022 on behalf of each of John Pettigrew and Andy Agg via the Share Incentive Plan (an HMRC tax-advantaged all-employee share plan), thereby increasing the beneficial interests by 25 shares (12 in April and 13 in May) for John Pettigrew and 24 shares (12 each in April and May) for Andy Agg. There have been no other changes in Directors' shareholdings between 1 April 2022 and 19 May 2022.

The expected vesting dates for the conditional share awards subject to performance conditions are 1 July 2022, 3 July 2023 and 1 July 2024 for the 2019 LTPP, 2020 LTPP and 2021 LTPP respectively.

Directors	Share ownership requirements (multiple of salary)	Number of shares owned outright (including connected persons)	Value of shares held as a multiple of current salary	Number of options granted under the Sharesave Plan	Conditional share awards subject to performance conditions (LTPP 2019, 2020, and 2021)
Executive Directors					
John Pettigrew	500%	1,052,126	1,097%	4,219	1,235,754
Andy Agg	400%	216,807	353%	4,316	646,787
Non-executive Directors					
Liz Hewitt	–	2,500	–	–	–
Jonathan Dawson	–	45,632	–	–	–
Amanda Mesler	–	1,500	–	–	–
Earl Shipp (ADSs)	–	1,000	–	–	–
Anne Robinson (ADSs)	–	–	–	–	–
Tony Wood	–	–	–	–	–
Martha Wyrsch (ADSs)	–	5,000	–	–	–
Ian Livingston	–	1,838	–	–	–
Jonathan Silver (ADSs)	–	–	–	–	–
Paula Rosput Reynolds (ADSs)	–	2000	–	–	–
Thérèse Esperdy (ADSs)	–	1587	–	–	–

Notes: John Pettigrew: On 31 March 2022, John Pettigrew held 4,219 options granted in previous years under the Sharesave Plan with an exercise price of 711 pence per share and they can, subject to their terms, be exercised at 711 pence per share between 1 April 2025 and 30 September 2025. The number of conditional share awards subject to performance conditions is as follows: 2019 LTPP: 431,969; 2020 LTPP: 405,217; 2021 LTPP: 398,568.

Andy Agg: On 31 March 2022, Andy Agg held 4,316 options granted in previous years under the Sharesave Plan with an exercise price of 695 pence per share and they can, subject to their terms, be exercised at 695 pence per share between 1 April 2026 and 30 September 2026. The number of conditional share awards subject to performance conditions is as follows: 2019 LTPP: 213,999; 2020 LTPP: 213,795; 2021 LTPP: 218,993.

Earl Shipp, Jonathan Silver, Paula Rosput Reynolds, Martha Wyrsch, Anne Robinson and Thérèse Esperdy: Holdings are shown as American Depositary Shares (ADSs). Each ADS represents five ordinary shares.

Post-employment shareholding requirements

Past Executive Directors are required to continue to hold their shares/ADSs in line with our current and proposed Directors' Remuneration Policy.

To enforce this, the Executive Directors have agreed to give permission for the Company to periodically check with its third-party share scheme administrator whether the minimum shareholding requirement is being maintained. The Executive Directors have acknowledged that if they breach their post-employment shareholding requirement for any reason, the Company may enforce at its discretion one or more of the following processes: to request they repay to the Company an amount equivalent in value to the shareholding requirement that has not been met; the Company may withdraw/vary the vesting of any future shares granted under the LTPP; the Company may publish a public statement in a form, as the Company may decide that the Director has failed to comply with the post-employment shareholding requirement. Executive Directors are reminded annually, when employed, of the post-employment shareholding requirement. At termination, the minimum shareholding requirement is confirmed to the Director and checks are made by the Company at the 12-month and 24-month anniversary of leaving and at the financial year-end 31 March to ascertain if their post-employment shareholding requirement has been met.

Nicola Shaw stood down from the Board on 26 July 2021 and remained subject to an in-employment shareholding requirement until her final employment date of 30 April 2022, at which time she will be subject to a post-employment shareholding requirement of 200% of base salary for a period of two years. As of 31 March 2022, Nicola Shaw continues to meet her in-employment shareholding requirement.

Shareholder dilution

The Company has a number of multiple all-employee share plans that provide employees the opportunity to become shareholders. These plans include Sharesave and the Share Incentive Plan (SIP) in the UK and the 401(k) and Employee Stock Purchase Plan in the US.

Where shares may be issued or treasury shares reissued to satisfy incentives, the aggregate dilution resulting from executive share-based incentives will not exceed 5% in any 10-year period. Dilution resulting from all incentives, including all-employee incentives, will not exceed 10% in any 10-year period. The Committee reviews dilution levels against these limits annually and under these limits the Company, as at 31 March 2022, had a headroom of 3.9% and 7.8% respectively.

CEO pay ratio

We have disclosed our CEO pay ratios comparing the CEO single total figure of remuneration to the equivalent pay for the 25th quartile, median, and 75th quartile UK employees (calculated on a full-time equivalent basis), as well as the median Group-wide pay ratio.

CEO Pay Ratios 2021/22 to 2018/19

			UK		Group-wide
Year	**Method**	**25th percentile pay ratio**	**Median pay ratio**	**75th percentile pay ratio**	**Median pay ratio**
2021/22	Option A	135:1	105:1	81:1	76:1
2020/21	Option A	104:1	81:1	62:1	54:1
2019/20	Option A	111:1	86:1	66:1	53:1
2018/19 – voluntary	Option A	96:1	76:1	58:1	48:1

Notes: Following the completion of the WPD acquisition in June 2021, this year's CEO pay ratio includes circa 6,600 UK WPD employees in the data set. Salaries as at 31 March 2022 and estimated performance-based annual payments for 2021/22 have been annualised for part-time employees to reflect full-time equivalents. Performance payments have not been further adjusted to compensate where new employees have not completed a full performance year. The comparison with UK employees is specified by the Companies (Miscellaneous Reporting) Regulations 2018 (as amended). US employees represent approximately 56% of our total employees. Our median pay ratio on a Group-wide basis is 76:1, calculated on the same basis as the UK pay ratios and at an exchange rate of $1.348:£1.

The CEO pay ratio has increased to 105:1 at the UK median. The increase is explained by the increase in the CEO's single total figure of remuneration primarily due to the impact of the 2019 LTPP performance driven in part by the impact of share price growth of 31.6% over the three-year performance period and strong long-term business performance delivery. For reference, the impact of share price change for the 2019 LTPP, comparing share price at grant versus the average share price for the period 1 January 2022 to 31 March 2022 of 1,098.09 pence, for each Executive Director is an increase of 263.98 pence (31.6%) per share excluding the dividend (versus an increase of 2.1% for the 2018 LTPP). This year the 2019 LTPP vesting represents circa 61% (last year 54%) of the CEO's single total figure of remuneration. Excluding estimated 2019 LTPP vesting, our UK median pay ratio is 40:1 (last year 39:1). On a Group basis, the median pay ratio has increased to 76:1. The lower Group median pay ratio reflects the higher level of wages in the regions of the US where we operate as compared with the UK. Nearly 56% of our employees are US-based. Excluding estimated 2019 LTPP vesting, the Group-wide median pay ratio is 29:1.

These results highlight a key feature of our remuneration strategy to weight Executive and senior leadership compensation more heavily towards longer-term performance share based reward. Across the wider workforce, employee compensation is largely focused on in-year annual delivery.

The 2021/22 base pay and total pay including benefits for the CEO versus UK workforce is shown below.

2021/22 Base pay and benefits – CEO, UK wider workforce

			UK	
Pay and benefits data	**CEO remuneration**	**UK employee 25th percentile**	**UK employee 50th percentile**	**UK employee 75th percentile**
Base salary	£1,047,115	£36,598	£42,054	£55,726
Total pay and benefits	£6,505,511	£48,038	£61,834	£80,297

Flexibility is provided to adopt one of three methods for calculating the ratios. We have chosen Option A, which is a calculation based on the pay of all UK employees on a full-time equivalent basis, as this option is considered to be more statistically robust. The ratios are based on total pay and benefits inclusive of short-term and long-term incentives applicable for the respective financial year 1 April – 31 March. The reference employees at the 25th, 50th and 75th percentile have been determined by reference to pay and taxable benefits as at the last day of the respective financial year, 31 March, with estimates for the respective APP payouts and performance outcomes of the LTPP and dividend equivalents.

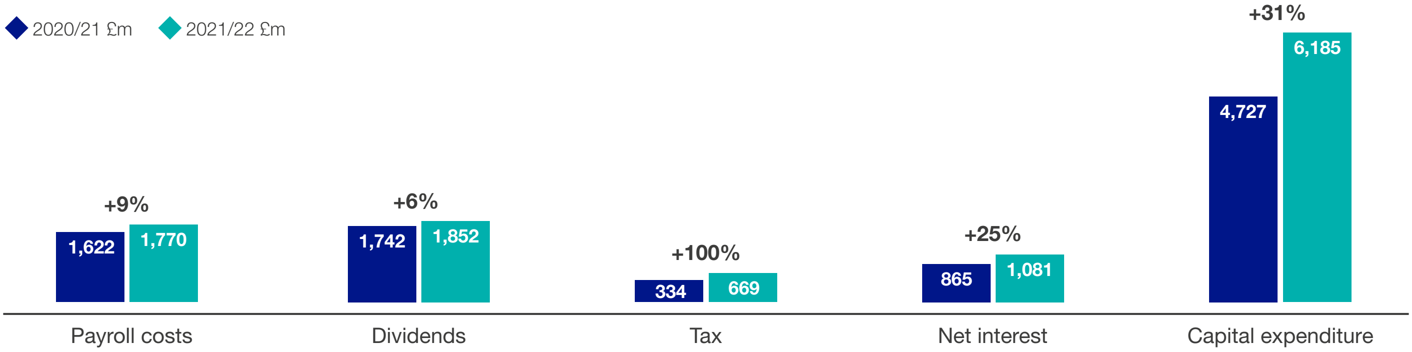
Most employees are eligible for a performance-based annual payment. Our principles for pay setting and progression in our wider workforce are the same as for our executives – mid-market approach to total reward sufficiently competitive to attract and retain high-calibre individuals without over-paying and providing the opportunity for individual development and career progression. The pay ratios reflect how remuneration arrangements differ, as accountability increases for more senior roles within the organisation, and in particular the ratios reflect the weighting towards long-term value creation and alignment with shareholder interests for the CEO.

We are satisfied that the median pay ratio reported this year is consistent with our wider pay, reward and progression policies for employees. The median reference employee falls within our collectively bargained employee population and has the opportunity for annual pay increases, annual performance payments and career progression and development opportunities. The CEO received a pay increase of 2.3% in 2021/22 in line with the increase budget awarded across the UK employee population (no increase was granted in 2020/21).

Relative importance of spend on pay

The chart below shows the relative importance of spend on pay compared with other costs and disbursements (dividends, tax, net interest and capital expenditure). Given the capital-intensive nature of our business and the scale of our operations, these costs were chosen as the most relevant measures for comparison purposes. All amounts exclude exceptional items and remeasurements.

Relative importance of spend on pay



Notes:
1. The dividend figure for 2020/21 has been restated at £1,742 million (from £1,738 million) to reflect the actual value of dividends paid.
2. 2020/21 payroll costs, tax, net interest and capital investment have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation.
3. Percentage increase/decrease of the costs between years is shown.

Chief Executive's pay in the last ten financial years

Steve Holliday was CEO throughout the five-year period from 2012/13 to 2015/16. John Pettigrew became CEO on 1 April 2016.

	Steve Holliday				John Pettigrew					
	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Single total figure of remuneration (£'000)	3,170	4,801	4,845	5,151	4,623	3,648	4,651	5,205	5,367	6,506
Single total figure of remuneration including only 2014 LTPP (£'000)					3,931					
APP proportion of maximum awarded	55.65%	77.94%	94.80%	94.60%	73.86%	82.90%	84.20%	70.58%	80.43%	85.20%
PSP/LTPP (proportion of maximum vesting)	25.15%	76.20%	55.81%	63.45%	90.41%	85.20%	84.20%	84.90%	68.00%	74.22%

Notes:
John Pettigrew: Single total figure for 2021/22 is explained in the single total figure of remuneration table for Executive Directors and single total figure for 2020/21 has been restated to reflect actual share price for 2018 LTPP vesting in 2021 and all dividend equivalent shares, consistent with comparative figures shown in this year's single total figure of remuneration table.

2014 LTPP: The 2016/17 single total figure of remuneration includes both the 2013 LTPP award and the 2014 LTPP award due to a change in the vesting period of four years (2013 LTPP) to three years (2014 LTPP).

PSP/LTPP plans: Prior to 2014, LTPP awards were made under a different LTI framework which incorporated a four-year performance period for the RoE element of the awards. The last award under this framework was made in 2013 and was fully vested in 2017. Awards made from 2014 are subject to a three-year performance period. The first of these awards vested in 2017.

Single total figure of remuneration – Non-executive Directors

The following table shows a single total figure in respect of qualifying service for 2021/22, together with comparative figures for 2020/21:

		Fees £'000		Other emoluments £'000		Total £'000	
		2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Paula Rosput Reynolds		599	21	18	0	616	21
Sir Peter Gershon	Resigned on 31.05.2021	90	540	12	82	102	622
Jonathan Dawson		108	112	3	1	111	113
Thérèse Esperdy		141	142	10	0	151	142
Paul Golby	Resigned on 26.07.2021	33	104	2	1	35	105
Liz Hewitt		113	99	9	0	122	99
Ian Livingston	Appointed on 01.08.2021	66	n/a	1	n/a	67	n/a
Amanda Mesler		93	91	2	0	94	91
Earl Shipp		113	104	7	0	120	104
Jonathan Silver		99	104	9	0	109	104
Mark Williamson	Resigned 31.12.2021	87	122	3	0	90	122
Tony Wood	Appointed on 01.09.2021	48	NA	2	n/a	50	NA
Martha Wyrsch	Appointed on 01.09.2021	56	NA	3	n/a	59	NA
Anne Robinson	Appointed on 19.01.2022	19	NA	0	n/a	19	NA
Total		**1,665**	**1,439**	**81**	**84**	**1,745**	**1,523**

Notes:
Receiving the US-based Board fee: Thérèse Esperdy, Earl Shipp, Jonathan Silver, Anne Robinson and Martha Wyrsch.
Receiving the UK-based Board fee: Jonathan Dawson, Paul Golby, Liz Hewitt, Amanda Mesler, Mark Williamson, Ian Livingston and Tony Wood.
Therese Esperdy: Fees include £25,000 for serving on the National Grid USA Board; she stepped down from the National Grid USA Board on 18 November 2021.
Paula Rosput Reynolds joined the Board on 1 January 2021 as a Non-executive Director and was appointed as Chair of the Board from 31 May 2021. She is not eligible for any benefits.
Other emoluments: In accordance with the Company's expenses policies, Non-executive Directors receive reimbursement for their reasonable expenses for attending Board meetings. In instances where these costs are treated by HMRC as taxable benefits, the Company also meets the associated tax cost to the Non-executive Directors through a PAYE settlement agreement with HMRC and these costs are included in the table above. For 2020/21 due to COVID-19 travel restrictions, most of the NEDs did not incur travel-related expenses.
The total emoluments paid to Executive and Non-executive Directors in the year was £14.2 million (2020/21: £11.7 million).

Percentage change in Remuneration (Executive Directors, Non-executive Directors, employee average)

In line with the revised Shareholder Rights Directive (2019), we have included percentage change in salary/fee, bonus and benefits for each of the Directors compared to prior years. The regulations cover employees of the Parent Company only and not across the Group, and since we have very few people employed by our Parent Company (National Grid plc), we have voluntarily chosen a comparator group of all employees in the UK and the US to provide a representative comparison. In line with the regulations, we shall build this information to display a five-year history.

	2020/21			2021/22		
Executive Directors	**Salary**	**Benefits**	**Bonus**	**Salary**	**Benefits**	**Bonus**
John Pettigrew	1.3%	-4.7%	15.4%	1.7%	-8.8%	7.8%
Andy Agg	4.9%	40.6%	17.7%	6.5%	-31.6%	15.9%
Nicola Shaw	1.3%	1.1%	38.8%	1.7%	18.3%	-33.1%
Non Executive Directors						
Jonathan Dawson	0.5%	37.1%	n/a	-3.0%	417.6%	n/a
Therese Esperdy	0.4%	-100.0%	n/a	-0.8%	n/a	n/a
Sir Peter Gershon	0.5%	-5.5%	n/a	-83.3%	-85.0%	n/a
Paul Golby	0.5%	-87.5%	n/a	-68.5%	213.8%	n/a
Liz Hewitt	334.8%	-100.0%	n/a	14.5%	n/a	n/a
Amanda Mesler	0.5%	-100.0%	n/a	1.6%	n/a	n/a
Paula Rosput Reynolds	n/a	n/a	n/a	2816.8%	n/a	n/a
Earl Shipp	0.5%	-100.0%	n/a	8.6%	n/a	n/a
Jonathan Silver	14.3%	-100.0%	n/a	-4.2%	n/a	n/a
Mark Williamson	-8.6%	-100.0%	n/a	-29.2%	n/a	n/a
Ian Livingston	n/a	n/a	n/a	n/a	n/a	n/a
Tony Wood	n/a	n/a	n/a	n/a	n/a	n/a
Martha Wyrsch	n/a	n/a	n/a	n/a	n/a	n/a
Anne Robinson	n/a	n/a	n/a	n/a	n/a	n/a
Employee median	-8.49%	1.65%	-5.52%	2.8%	6.1%	40%

Note: For Nicola Shaw, the 2021/22 data reflects the salary, benefits and bonus paid for the complete year as presented in the single total figure of remuneration table.

For 2021/22, the percentage change data for salary/fees reflects that, other than for Andy Agg, the salary/fee increases for Directors were 2.3% in line with the wider workforce increases. For 2020/21, the percentage change data for salary/fees reflects that, other than for Andy Agg, there were no salary/fee increases for Directors. In contrast, the majority of managers and all those covered by trade union agreements were eligible to receive an annual salary increase during 2020/21. The average salary increase budget for the UK and the US employees, subject to performance review, was 2.3% and 2.5% respectively in 2020/21.

Budgets vary for employees covered by collective agreements depending on arrangements agreed with the respective trade unions. The Committee takes account of the general salary increase budgets available for managers/non-unionised employees when reviewing Directors' salaries/fees.

Further alignment between Executive Director pay and arrangements available to the wider workforce is evidenced by the approach that all employees have the opportunity to receive a bonus which is linked to either a combination of individual and Company/business performance measures, or Company/business performance measures only, thus enabling employees as well as the Executive Directors to benefit in the Company's success annually.

Payments for loss of office and payments to past Directors

Nicola Shaw stood down from the Board on 26 July 2021 and stayed with the Company until after the conclusion of the RIIO-T2 CMA appeal process and continued as Chair of the Company's subsidiaries, National Grid Electricity Transmission plc and National Grid Gas plc. She remained in active employment until 31 October 2021, after which she was not eligible for 2021/22 APP and received salary and benefits until her final employment date of 30 April 2022 as per the terms of her contract. Her APP is pro-rated for her period of active employment for 2021/22, i.e. 1 April 2021 to 31 October 2021. Her 2019 LTPP will vest at the normal vesting date of July 2022 subject to performance conditions and is pro-rated for time served to the termination date of 30 April 2022 in accordance with the plan rules.

Details of Nicola's remuneration in relation to the period 1 April 2021 to 26 July 2021 (qualifying service as an Executive Director) and 27 July 2021 to 31 March 2022 is disclosed in the Single Total Figure of Remuneration table on page 114. All payments are in accordance with her service agreement, the Directors' Remuneration Policy (and in line with our June 2021 Corporate Governance disclosure) and subject to applicable tax withholdings.

The Committee agreed to grant good leaver treatment for Nicola's in-flight LTPP awards given her overall long-term strong performance and contribution to the business. Nicola's awards under the 2020 LTPP will be pro-rated for completed months held since the award date until 30 April 2022. These awards will vest at the same time as other participants, subject to performance measured at the vesting date and any discretion the Committee may decide to exercise at the time of vesting, in line with our Directors' Remuneration Policy. These shares will be subject to the two-year post-vesting holding requirement and post-employment shareholding requirement.

There have been no payments made to past Directors during 2021/22.

External appointments and retention of fees

Experience as a board member of another company is considered to be valuable personal development, which in turn is of benefit to the Company. The table below details the Executive Director (at 31 March 2022) who served as non-executive director in other companies during the year ended 31 March 2022:

	Company	Retained fees
John Pettigrew	Rentokil Initial plc	£70,000

Role of Remuneration Committee

The Committee is responsible for recommending to the Board the Remuneration Policy for the Executive Directors, the other members of the Group Executive Committee and the Chair, and for implementing this Policy. The aim is to align the Remuneration Policy to the Company strategy and key business objectives, and ensure it reflects our shareholders', customers' and regulators' interests. The Committee receives input on Policy implementation within the wider workforce before reaching decisions on matters such as salary increases and annual incentive payouts and closely reviews the appropriateness of pay positioning by reference to external measures (benchmarking remuneration packages) and internal review of Company performance and pay gaps (CEO pay ratios, gender and ethnicity pay gaps) and from this year, the relativity year-on-year of salary, benefits and annual performance incentives compared with the same for the rest of the workforce.

- **Clarity:** we identify and communicate a range of performance measures in our incentives which clearly link to the successful execution of the Company's strategy.
- **Simplicity:** elements of our remuneration framework and their purpose are clearly articulated within our market-standard Remuneration Policy and we believe this is understood by all our stakeholders.
- **Risk:** risk is managed in a number of ways and evidenced through our Remuneration Policy, for example: setting maximum levels for incentive plans; implementing measures that are aligned to Company performance and shareholder interests; focusing on the long term and creating value through the LTPP; reviewing formulaic outcomes; malus and clawback provisions; and having a high shareholding requirement for senior executives.
- **Predictability:** full information on the potential values which could be earned are disclosed; our policy outlines threshold, target and maximum opportunity with varying actual incentive outcomes dependent on performance; and all the checks and balances set out above under Risk are disclosed as part of the Remuneration Policy.
- **Proportionality:** whilst incentive plans reward executives' performance in successfully delivering the business strategy, there is also a focus on sustaining this through holding periods that apply to vested shares and annual incentives paid out as shares; all executives are also subject to significant shareholding and post-employment shareholding requirements. The policy does not reward poor performance and the range of potential payouts under the Policy is appropriate.
- **Alignment to culture and strategy:** our culture recognises that how we do things is as vital as what we do and this is reflected in the type of performance conditions used in our incentive plans. Both the measures themselves and the targets set aim to reinforce this approach.

Our policy has operated as intended in terms of Company performance and quantum; a review of key considerations and decisions pertaining to its implementation is provided in the Committee Chair's statement.

The Committee's activities in 2021/22

Meeting/circulations	Main areas of discussion
April	Discussion on 2020/21 expected incentive plan outcomes (APP and outstanding LTPP) for the Group Executive Committee 2020/21 APP individual objective scoring for the Group Executive Committee Discussion on the 2021/22 APP financial and operational measures and LTPP 2021 award for the Group Executive Committee Discussion on the 2021/22 APP strategic objectives for the Group Executive Committee Market data review and base salary increase proposals for the Group Executive Committee
May	Approval of 2020/21 APP and 2018 LTPP outcomes for the Group Executive Committee Approval of pay decisions for the Group Executive Committee Review and approval of Chair fees Approval of the 2021/22 APP strategic objectives for the Group Executive Committee Approval of LTPP plan rules Items related to Executive Director leaver arrangements and WPD senior management team remuneration arrangements
July	Approval of 2021/22 APP targets (financial and operational) and 2018 LTPP vesting Debrief of AGM season, remuneration trends and initial discussion for 2022 Remuneration Policy
August*	Items related to new Group Executive Committee appointment
October	Approval of 2021 LTPP targets
November	Approval of the revision to 2021/22 APP targets to incorporate transactions impact Performance update on incentive plans (APP and outstanding LTPP) Items related to various Group Executive Committee members' (i) leaving arrangements, and (ii) remuneration arrangements Approval of 2021/22 Sharesave plan Review of gender and ethnicity pay gaps
January	Provisional approval 2022 Remuneration Policy; approval of the consultation plan Items related to various Group Executive Committee members' (i) leaving arrangements (ii) remuneration arrangements (iii) incentive plan outcomes, and (iv) forward looking objectives
February*	Review of shareholder letter on proposed Remuneration Policy
March	AGM season debrief and discussion on feedback from shareholder consultation on 2022 Remuneration Policy Discussion on 2021/22 expected incentive plan outcomes (APP and outstanding LTPP) for the Group Executive Committee 2021/22 APP individual objective scoring for the Group Executive Committee Discussion on the 2022/23 APP financial and operational measures and LTPP 2022 award for the Group Executive Committee Discussion on the 2022/23 APP strategic objectives for the Group Executive Committee Market data review and base salary increase proposals for the Group Executive Committee Approval of proposed amends to Employee Share Schemes Sub-Committee Terms of Reference

* By circulation.

Advisors to the Remuneration Committee

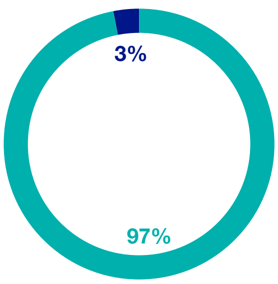
PricewaterhouseCoopers LLP (PwC) was selected by the Committee to become its independent advisor from 3 August 2020 and provided advice and counsel to the Committee throughout the 2021/22 financial year. PwC is member of the Remuneration Consultants Group (RCG) and have signed up to RCG's code of conduct. The Committee is satisfied that any potential conflicts were appropriately managed. Work undertaken by PwC in its role as independent advisor to the Committee, has incurred fees of £243,500 on the basis of time charged to perform services and deliverables.

The Committee reviews the objectivity and independence of the advice it receives from its advisors each year. It is satisfied that PwC provided credible and professional advice. PwC has provided general and technical remuneration services in relation to employees below Board and Group Executive Committee level that include broad-based employee reward support and data assurance services. In addition, Willis Towers Watson (WTW) provided benchmarking support to the Committee in the year and incurred fees of £15,600.

The Committee considers the views of the Chair on the performance and remuneration of the CEO, and of the CEO on the performance and remuneration of the other members of the Group Executive Committee. The Committee is also supported by the Group General Counsel & Company Secretary, who acts as Secretary to the Committee; the Chief People & Culture Officer; the Group Head of Reward; and, as required, the CFO, the Group Head of Pensions and Group Financial Controller.

Voting on Directors' Remuneration Policy and the Directors' Remuneration Report

Directors' Remuneration Policy adopted at the 2019 AGM



Directors' Remuneration Report 2020/21

Note:
The Directors' Remuneration Policy voting figures shown refer to votes cast at the 2019 AGM and represent 64.66% of the voting share capital.
The Directors' Remuneration Report voting figures shown refer to votes cast at the 2021 AGM (in respect of the 2019 remuneration policy adopted at the 2019 AGM) and represent 66.73% of the voting share capital.

2022 Directors' Remuneration Policy

Our Remuneration strategy sets out to ensure strong alignment with our strategic priorities and creation of value for shareholders whilst providing market competitive remuneration to enable the attraction and retention of top leadership talent. Our existing Policy (adopted in 2019) continues to function well, providing remuneration outcomes well aligned to Company performance and our shareholders' experience. As such, the 2022 Policy, effective July 2022 subject to shareholder approval, incorporates modest refinements to reflect the importance of the Company's responsible business strategy and ESG goals in both the short and long-term and the increasingly dynamic external context which advantages greater agility and flexibility. We have engaged widely with shareholders and proxy advisory service organisations and are grateful for the engagement, feedback, and positive support on our Policy proposals. The Committee is committed to maintaining an open dialogue and members remain available to answer questions throughout the AGM process and forthcoming year ahead on our 2022 Directors' Remuneration Policy as outlined below.

Policy tables – Executive Directors

Element	Operation	Maximum levels	Performance assessment
Salary Purpose and link to business strategy: to attract, motivate and retain high-calibre individuals.	Salaries are generally reviewed annually and are targeted broadly at the mid-market of our peer group. However, a number of other factors are also taken into account: • business performance and individual contribution; • the individual's skills and experience; • scope of the role, including any changes in responsibility; • market data, including base pay and total remuneration; and • opportunity in the relevant comparator group.	No prescribed maximum annual increase although increases are generally aligned to or below salary increases received by other Company employees and to market movements. Increases in excess of this may be made at the Committee's discretion in circumstances such as a significant change in responsibility, progression if more recently appointed in the role and alignment to mid-market levels.	Not applicable.
Benefits Purpose and link to business strategy: to provide competitive and cost effective benefits to attract and retain high-calibre individuals.	Benefits currently provided include: • company car or a cash alternative (UK only); • use of a car and driver when required; • private medical insurance; • life assurance; • personal accident insurance (UK only); • opportunity to purchase additional benefits (including personal accident insurance for US) under flexible benefits schemes available to all employees; and • opportunity to participate in HMRC (UK) or Internal Revenue Service (US) tax-advantaged all-employee share plans. UK Sharesave: Monthly contributions from net salary for a period of three or five years. The savings can be used to purchase shares at a discounted price set at the launch of each plan period. Share Incentive Plan: UK employees may use gross salary to purchase shares. These shares are placed in trust. Employee Stock Purchase Plan (ESPP) (423(b) plan): eligible US employees may purchase ADSs on a monthly basis at a discounted price. Other benefits may be offered at the discretion of the Committee. In circumstances where an Executive Director is located outside of the UK, benefits will be set such that they are competitive in the local market.	The cost of providing benefits will vary from year to year in line with market. Participation in tax-advantaged all-employee share plans is subject to limits set by relevant tax authorities.	Not applicable.
Pension Purpose and link to business strategy: to reward sustained contribution and assist in attraction and retention.	Externally hired Executive Directors may participate in a DC arrangement or alternatively choose to receive cash in lieu. In cases of internal promotion to the Board, the Company will recognise legacy DB pension arrangements of existing employees in both the UK and US where these have been provided under an existing arrangement. In line with market practice, pensionable pay for UK-based Executive Directors includes base salary only and for US-based Executive Directors it includes base salary and APP awards.	**UK Directors**: DC: annual contributions for new appointments and existing Executive Directors of up to 12% of base salary. Executive Directors may take a full or partial cash supplement in lieu. Life assurance of four times base salary and a dependant's pension of one third of basic salary is provided. Executives with HMRC pension protection may be offered lump sum life assurance only, equal to four times base salary. **US Directors:** DC contributions of up to 9% of basic salary plus APP award with additional 401(k) plan match up to 4%. DB: no additional DB entitlements will be earned over the financial years from the date of appointment, other than an increase for price inflation due under the pension scheme rules and legislation. Under the terms of the pension scheme, if the Executive Director satisfies the ill-health requirements, or is made redundant, a pension may be payable earlier than the normal retirement date. A lump sum death in service benefit is also provided in respect of these DB entitlements.	Not applicable. None of the current Executive Directors are active members of a defined benefit plan.

Element	Operation	Maximum levels	Performance assessment
Annual Performance Plan Purpose and link to business strategy: to incentivise and reward the achievement of annual financial measures and strategic non-financial measures including the delivery of annual individual objectives and demonstration of our Company leadership qualities and values.	The APP comprises reward for achievement against financial and non-financial measures and achievement against individual objectives. Financial and non-financial performance measures and targets are normally agreed at the start of each financial year and are aligned with strategic business priorities. Targets are set with reference to the business plan and strategy. Individual objectives and associated targets are normally agreed also at the start of the year. APP awards are paid in June. At least 50% of the APP award is paid in shares, which (after any sales to pay associated income tax) must be retained until the shareholding requirement is met, and in any event for two years after receipt. Awards are subject to malus and clawback provisions.	The maximum award is 125% of base salary in respect of a financial year. The payout levels at threshold, target and stretch performance levels are 0%, 50% and 100%, respectively. In exceptional circumstances, (such as the recruitment of an Executive Director), the Committee has the flexibility to award up to an additional 50% of base salary as incentives and this can be applied across the APP and or LTPP in any given year but for one year only. Therefore, in exceptional circumstances, the annual maximum award opportunity under the annual bonus can be up to 175% of base salary assuming all 50% of the exceptional max is used and allocated to APP.	At least 50% of the APP is based on performance against financial measures. The Committee may use its discretion to set financial and non-financial measures that it considers appropriate in each year. Notwithstanding the level of award achieved, the Committee has the discretion to modify the formulaic amount payable, to reflect wider financial and business performance, demonstration of leadership qualities and our values, or to take account of a significant event.
Long-Term Performance Plan Purpose and link to business strategy: to drive long-term business performance, aligning Executive Director incentives to key strategic objectives and shareholder interests over the longer term.	Awards of shares may be granted each year, with vesting subject to long-term performance conditions. The performance measures which are chosen are those that the Committee believes reflect the creation of long-term value within the business. Targets are set for each award with reference to the business plan and strategy. Participants may receive ordinary dividend equivalent shares on vested shares, from the time the award was made, at the discretion of the Committee. Participants must retain vested shares (after any sales to pay associated income tax) until the shareholding requirement is met, and in any event for a further two years after vesting. Awards are subject to malus and clawback provisions.	The normal annual maximum award limits that may be granted are 350% of salary for the CEO and 300% of salary for other Executive Directors. For each performance measure, threshold performance will trigger up to 20% of the award to vest; 100% will vest if maximum performance is attained. In exceptional circumstances (such as the recruitment of an Executive Director), the Committee has the flexibility to award up to an additional 50% of base salary as incentives and this can be applied across the APP or the LTPP in any given year but for one year only. Therefore, in exceptional circumstances, the annual maximum award opportunity can be up to 400% of base salary for a CEO role and 350% of salary for other Executive Directors assuming all 50% of the exceptional max is used and allocated to LTPP.	The Committee will review performance measures for each award cycle prior to grant to ensure continued alignment with the Company's strategy. As such, different performance measures, targets and/or weightings may be set to reflect the business strategy and the regulatory framework operating at that time. Awards have a three-year performance period followed by a two-year holding period post-vesting. Notwithstanding the level of award achieved, the Committee has the discretion to modify the formulaic amount vesting, to reflect wider financial and business performance, demonstration of leadership qualities and our values, or to take account of a significant event.

Malus and clawback

The Committee has discretion to determine whether exceptional circumstances exist which justify whether any or all of an award should be forfeited, even if already paid. Examples of exceptional circumstances include, but are not limited to:

- discovery of a material misstatement resulting in an adjustment in the audited accounts of the Company or any Group company;
- the assessment of any performance condition, or condition in respect of a payment or award under the APP or LTPP, that was based on error, inaccurate or misleading information;
- the discovery that any information used to determine the APP or LTPP award was based on error, inaccurate or misleading information;
- action or conduct of a participant which amounts to fraud or gross misconduct;
- event or behaviour of a participant leading to the censure of the Company by a regulatory authority or has had a significant detrimental impact on the reputation of any Group company, provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant; and
- a material failure or risk management and/or corporate failure.

Where the Committee in its absolute discretion determines that exceptional circumstances exist that justify doing so:

- in respect of all or part of an award that has yet to be paid or vested ('malus'), as applicable, the Committee may determine the award, or part of it, will be forfeited; and
- in respect of all or part of an award that has been paid or has vested ('clawback'), as applicable, the Committee may determine the award, or part of it, will be forfeited and may reclaim an amount considered appropriate through means deemed appropriate to those specific circumstances.

APP – cash	Malus applies in the year the bonus is earned and clawback for two years thereafter
APP – deferred shares	Malus applies until the end of two years following the financial year in which the bonus is earned and clawback for two years thereafter
LTPP	Malus applies up to vesting and clawback during the two-year holding period

Shareholding requirement – in employment
The requirement of Executive Directors to build up and hold a significant value of National Grid shares ensures they share a significant level of risk with shareholders and aims to align their interests. Executive Directors are required to build up and retain shares in the Company. The level of holding required is 500% of salary for the CEO and 400% of salary for the other Executive Directors. Unless the shareholding requirement is met, Executive Directors will not be permitted to sell shares, other than to pay income tax liabilities on shares just vested or in exceptional circumstances approved by the Committee.

Shareholding requirement – post employment
The requirement of Executive Directors to continue to hold National Grid shares after leaving ensures they continue to share a risk with shareholders and maintain alignment with shareholders' interests. Executive Directors will be required to hold 200% of base salary calculated at their leaving date, or maintain their actual holding percentage if lower, expressed as a number of shares and held for a period of two years. This calculation excludes the value of any awards not yet vested for 'good leavers' that will vest according to the normal schedule and which in any event must be held for a two-year period. The calculation will include recently vested LTPP awards or APP awards paid as shares which are subject to respective two-year holding periods, even after employment.

Until the post-employment shareholding requirement is met, Executive Directors will not be permitted to sell shares, other than to pay income tax liabilities on shares just vested or in exceptional circumstances approved by the Committee.

Our peer group
The Committee reviews its Remuneration Policy against appropriate peer groups annually to make sure we remain competitive in the relevant markets. The primary focus for reward market comparisons is currently the FTSE 11 – 40 for UK-based Executive Directors and US general industry and US energy services companies with similar levels of revenue for US-based Executive Directors. These peer groups are considered appropriate for a large, complex, international and predominantly regulated business. The Committee may amend the peer group and reference other peer groups as deemed appropriate.

Policy tables – Non-executive Directors (NEDs)

Element	Operation	Maximum levels	Performance metrics, weighting and time period applicable
Fees for NEDs Purpose and link to business strategy: to attract NEDs who have a broad range of experience and skills to oversee the implementation of our strategy	NED fees (excluding those of the Chair) are set by the Group Executive Committee in conjunction with the Chair. The Chair fees are set by the Committee. Fee structure: • Chair fee (all inclusive); • basic fee; • Committee chair fee; • Committee membership fee; • Senior Independent Director fee; and • additional Board responsibilities. Fees are reviewed every year taking into account those in companies of similar scale and complexity. The Chair is eligible to receive benefits as deemed appropriate and necessary in respect of the role, which may include, for example, private medical and personal accident cover, the use of a company car and driver, and financial advice. NEDs do not participate in incentives, pension or any other benefits. However, they are eligible for reimbursement for all Company-related travel expenses. In instances where these costs are treated by HMRC as taxable benefits, the Company also meets the associated tax cost to the Non-executive Directors through a PAYE settlement agreement with HMRC. NEDs who also sit on National Grid subsidiary boards may receive additional fees related to service on those boards.	There are no prescribed maximum fee levels although fee increases are generally aligned to salary increases received by other Company employees and market movement for NEDs of companies of similar scale and complexity. The cost of benefits provided to the Chair is not subject to a predetermined maximum since the purchase cost will vary from year to year.	Not applicable.

Legacy arrangements
For the avoidance of doubt, the Committee may approve payments to satisfy commitments agreed prior to the approval of this Remuneration Policy, for example, those outstanding and unvested incentive awards which have been disclosed to shareholders in previous Remuneration Reports and any commitment made to a person before that person became an Executive Director.

Operation of the policy
The Committee reviews annually the overall appropriateness and relevance of the Remuneration Policy and whether any changes should be put to shareholders. Decisions on the measures and targets for performance-related pay (APP and LTPP) and payouts are made taking account of overall financial and business performance. A member of the Audit & Risk Committee is required to be a member of the Committee and this ensures the Committee receives knowledgeable input on setting financial measures and assessing outturns including any adjustments and judgements considered by the Audit & Risk Committee. The Committee also works closely with the People & Governance Committee in respect of pay and conditions of newly appointed Directors to ensure their remuneration is within Policy. The Committee will also link in with the Employee Share Schemes Sub-Committee as required. Consistent with the UK Corporate Governance Code, members of the Remuneration Committee are independent Non-executive Directors who do not receive any variable remuneration and do not participate in decisions about their own remuneration.

Other features of the Remuneration Policy

Policy on recruitment remuneration

Salaries for new Executive Directors appointed to the Board will be set in accordance with the terms of the approved Remuneration Policy in force at the time of appointment, and in particular will take account the appointee's skills, experience and the scope and assessment of the market rate for the role.

Where appropriate, salaries may be set below market level initially, with the Committee retaining discretion to award increases in salary in excess of the wider workforce and inflation to progressively bring the salary up to the market level over time, where this is justified by individual and Company performance. Any such increases will be disclosed accordingly, along with a supporting rationale where appropriate.

Benefits consistent with those offered to other Executive Directors under the approved Remuneration Policy in force at the time of appointment will be offered, taking account of local market practice. The Committee may also agree that the Company will meet certain recruitment costs, for example legal fees, certain relocation expenses or provide tax equalisation as appropriate.

Pension contributions for new Executive Directors appointed to the Board will be set in accordance with the terms of the approved Remuneration Policy in force at the time of appointment.

Ongoing incentive pay (APP and LTPP) for new Executive Directors will be in accordance with the approved Remuneration Policy in force at the time of appointment. This means the normal maximum APP award in any year would be 125% of salary and the normal maximum LTPP award would be 350% of salary for the CEO and 300% of salary for other Executive Directors. In exceptional recruitment circumstances, the Committee has the flexibility to award up to an additional 50% of basic salary as incentive pay and this can be applied across the APP/LTPP in any given year but for one year only. The total maximum variable pay in any year will be 525%, excluding any buyout awards.

For an externally appointed Executive Director, the Company may offer additional cash or share-based payments that it considers necessary to buy out current entitlements from the former employer that will be lost on recruitment to National Grid. Any such arrangements would, so far as practicable, reflect the delivery mechanisms, time horizons and levels of conditionality of the remuneration lost. In order to facilitate buy-out arrangements, existing incentive arrangements will be used to the extent possible, although awards may also be granted outside of these shareholder-approved schemes if necessary and as permitted under the Listing Rules.

For an internally appointed Executive Director, any outstanding APP awards will be determined according to the original terms but paid at the end of the year. Any outstanding LTPP awards will be paid according to the original terms.

Fees for a new Chair or Non-executive Director will be set in line with the approved Policy in force at the time of appointment.

Service contracts/letters of appointment

In line with our Policy, all Executive Directors have service contracts which are terminable by either party with 12 months' notice commencing immediately after announcement. Non-executive Directors are subject to letters of appointment. The Board Chair's appointment is subject to six months' notice by either party; for other Non-executive Directors, notice is one month. Both Executive Directors and Non-executive Directors are required to be re-elected at each AGM.

Examples of circumstances which could trigger 'good leaver' treatment include: redundancy, retirement, illness, injury, disability and death. In these circumstances, awards will be released to the departing Executive Director or, in the case of death, to their estate. Long-term share plan awards held by 'good leavers' will normally vest, subject to performance measured at the normal vesting date and be reduced pro-rata for completed time of service starting on the date of grant, as per the plan rules. Such awards would vest at the same time as for other participants, apart from circumstances in which the award recipient has died, in which case the awards may vest as soon as practicable (based on a forecast of performance).

At the Committee's discretion, the Company may also agree other payments such as an agreed amount for legal fees associated with the departure of the Executive Director and outplacement support.

No compensation would be paid for loss of office of Directors on a change of control of the Company.

No compensation is payable to the Chair or Non-executive Directors if they are required to stand down or are not re-elected at the AGM.

Copies of Directors' service contracts and letters of appointment are available for inspection at the Company's registered office.

Policy on payment for loss of office

The contracts contain provisions for payment in lieu of notice, at the sole and absolute discretion of the Company. Such contractual payments are limited to payment of salary only for the remainder of the notice period. In the UK, such payments would usually be phased on a monthly basis, over a period not greater than 12 months, and the Executive Director would be expected to mitigate any losses where employment is taken up during the notice period. In the US, for tax compliance purposes, the policy is to make any payment in lieu of notice as soon as reasonably practicable, and in any event within two and a half months of the later of 31 December and 31 March immediately following the notice date.

In the event of a UK Director's role becoming redundant, statutory compensation would apply and the relevant pension plan rules may result in the early payment of an unreduced pension. On termination of employment, no APP award would generally be payable. However, the Committee has the discretion to deem an individual to be a 'good leaver', in which case a pro-rata discretionary payment could be paid, based on performance (as measured at the end of the financial year) and the achievement of individual objectives during the financial year up to termination.

In the UK, any discretionary payment would generally be paid at the normal time. In the US the payment may be made earlier if required for tax compliance purposes, in which case the Committee would apply discretion to determine an appropriate level of financial performance. Examples of circumstances which could trigger ‘good leaver’ treatment include redundancy, retirement, illness, injury, disability and death. The Committee may apply discretion to determine if any pro-rata discretionary payment should be made sooner than it would normally be paid, for example, in the case of death.

On termination of employment, outstanding awards under the share plans will be treated in accordance with the relevant plan rules approved by shareholders. Unvested share awards would normally lapse. ‘Good leaver’ provisions apply at the Committee’s discretion and in specified circumstances.

External appointments

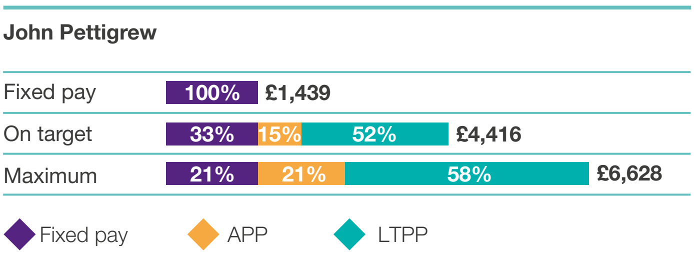
Executive Directors may, with the approval of the Board, accept one external appointment as a Non-executive Director of another company and retain any fees received for the appointment. Experience as a board member of another company is considered to be valuable personal development, which in turn is of benefit to the Company.

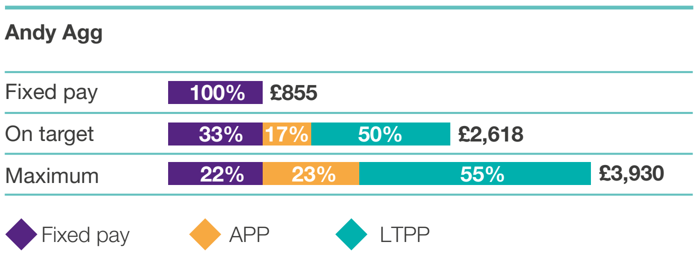
Corporate and share capital events

The Group’s employee share plans (including the LTPP) contain standard provisions that allow awards (and where relevant their exercise prices) to be adjusted, or in some cases vest or be exchanged, on the occurrence of a corporate or share capital event such as a capitalisation or rights issue, sub-division, consolidation or reduction of share capital, demerger, special dividend or distribution, listing or change of control, normally at the discretion of the Committee.

Total remuneration opportunity

The total remuneration for each of the Executive Directors that could result from the 2022 Remuneration Policy under three different performance levels (below threshold, when only fixed pay is receivable, on target and maximum) is shown below. The maximum receivable assuming 50% share price growth (or a reduction) in LTPP awards over a three-year performance period, and the basis for this calculation, is set out in the notes below.





Notes:

1. Fixed pay consists of salary, pension and benefits in kind as provided under the Remuneration Policy. Salary is that to be paid in 2022/23, taking account of the increases that will be effective from 1 July 2022 as shown on page 129. Benefits in kind and pension are as shown in the Single Total Figure of Remuneration table for 2021/22 on page 114.
2. APP calculations are based on 125% of salary for the period 1 April 2022 to 31 March 2023. APP payout is 0% for threshold performance, 50% for on-target performance and the maximum of 100% is for achieving stretch.
3. LTPP calculations are based on awards with a face value of 350% of 1 July 2022 salary for John Pettigrew and 300% of 1 July 2022 salary for Andy Agg. LTPP payout is 20% for threshold performance and the maximum of 100% is for achieving stretch and straight line vesting between. Excludes changes in share price and dividend equivalents.
4. For LTPP calculations, assuming either a 50% share price growth (or reduction) over the three-year performance period, the increase (or decrease) in LTPP value and maximum total compensation for each of the Executive Directors would be (all amounts expressed as £’000):
   - John Pettigrew: LTI value would increase (or decrease) from £3,824 to £5,736 (or £1,912) and maximum total compensation would rise (or reduce) from £6,628 to £8,540 (or £4,716) respectively
   - Andy Agg: LTI value would increase (or decrease) from £2,157 to £3,236 (or £1,079) and maximum total compensation would rise (or reduce) from £3,930 to £5,008 (or £2,809) respectively.

Consideration of remuneration policy elsewhere in the Company

The design and implementation of executive remuneration takes into consideration the wider workforce context and remuneration strategy to ensure they are mutually reinforcing. Our executive Remuneration Policy is well aligned to policies for our non-unionised workforce, and the Committee actively considers employee feedback and views on executive pay. The Company issues an employee engagement survey each year, which includes remuneration as a topic, and regularly engages with employees on a variety of topics including remuneration to ensure employees have an opportunity to share their feedback and views.

All employees are entitled to base salary, benefits, and pension contributions. The approach to assessing salaries, benefits, pensions and other elements of remuneration is consistent across the Group with an objective to ensure they remain competitive at relevant mid-market levels for all job bands/roles, including roles that are subject to union negotiation. We are pleased to report that National Grid continues to be accredited by the Living Wage Foundation as a real Living Wage employer for our UK businesses (excluding the recent acquisition of WPD). Further plans and efforts are underway to achieve equivalent accreditations for WPD and the rest of our global businesses in the US.

Middle to senior leaders are eligible to participate in our long-term incentive plans either through performance share awards or restricted share awards (under the LTPP) to incentivise and reward their individual contributions toward the Company’s longer-term strategic priorities. Performance measures for the LTPP are consistent with measures set for Executive Directors to ensure strong alignment and focus on the Company’s strategic goals.

Across the wider workforce, a greater emphasis and focus is placed on delivery of the Company’s annual operational and financial business plans. As such, the majority of employees are eligible to participate in the APP. Performance measures for annual incentives are cascaded through the organisation and designed to ensure they incentive elements of business performance within an individual’s control and are aligned to employee’s annual goals. All Company employees are encouraged to become shareholders through a number of all-employee share plans and a significant proportion of our employees participate annually. These plans include Sharesave and the SIP in the UK and the 401(k) and 423(b) plans in the US which are summarised on page 124.

Implementation of the Remuneration Policy for 2022/23

The Remuneration Policy to be adopted at the 2022 AGM, subject to shareholder approval, will be implemented during 2022/23 as outlined below:

Salary and pensions

Salary increases will normally be in line with the increase awarded to other employees in the UK and the US, subject to performance. Higher salary increases may also be awarded for a change in responsibility. Additionally, in line with the Policy on recruitment remuneration, salaries for new directors may be set below market level initially and aligned to market level over time (provided the increase is merited by the individual's contribution and performance).

As explained in the Chair's statement, for 2022 a salary increase of 3.75% for John Pettigrew and 6.5% for Andy Agg will be awarded, effective from 1 July 2022.

	From 1 July 2022	From 1 July 2021	% increase
John Pettigrew	£1,092,500	£1,053,000	3.75%
Andy Agg	£719,000	£675,000	6.5%

The pension contribution for new and existing Executive Directors has been set to 12% effective 1 April 2022, in line with pension contribution rates for the UK wider workforce.

2022/23 Annual Performance Plan

The 2022/23 APP measures will be split across financial measures, operational measures and individual objectives, weighted 70%, 15% and 15% respectively. The increase in the financial element of the APP this year reflects a balancing of operational measures which total 15% (versus 20% in 2021/22) and individual objectives which total 15% (versus 20% in 2021/22). The maximum APP award for both the Executive Directors for 2022/23 is 125% of basic salary, in line with the Policy, subject to shareholder approval.

	Measure	Weighting
Financial measures	Underlying EPS	35%
	Group RoE	35%
Operational measures	Customers: Group Customer Satisfaction Index	5%
	Colleagues: Group Having a Voice Index	5%
	Diversity, Equity, and Inclusion: % Diversity of Strategic Leadership Group (top ~110 leaders)	5%
Individual objectives		15%

Financial measures

Underlying EPS and Group RoE have been retained as financial measures in the 2022/23 APP. In both measures for remuneration purposes, the part year contributions of UK Gas Transmission are included in the performance targets. Group RoE remains a relevant and key measure of performance as a primarily regulated asset-based company. In the short-term (APP), Group RoE targets are set to ensure strong in year returns and operational results. An 'annual profit' measure in the APP also remains key, given in particular the importance of regulated earnings to the business strategy. Underlying EPS is a well-understood and established measure internally and externally, and as such remains the most appropriate APP earnings measure for the business. Similar to Group RoE, annual target setting considers specific challenges and opportunities in the year ahead and is flexed accordingly whilst remaining consistent with our longer-term performance goals. Financial APP targets are considered commercially sensitive and consequently will be disclosed in the 2022/23 Directors' Remuneration Report.

Operational measures

The 2022/23 APP operational measures are designed to incentivise key annual priorities aligned to the Company's strategy as a responsible business and broader ESG goals and are weighted equally across three key measures focused on customers, colleagues and DEI. Operational measures will continue to be assessed on a four-point scale (not met, partially achieved, achieved and over-achieved) based on quantifiable targets and qualitative outcomes to reflect a balanced assessment of performance.

The Group Customer Satisfaction Index is an equally weighted index of quantifiable and predominantly externally measured customer satisfaction scores/measures across each of the Company's business units. The inclusion of a customer measure in the APP reflects the strategic importance and focus on delivering excellent service and business outcomes for customers. The colleague 'Having a Voice' measure is a quantitative Group wide index from our annual Company-wide employee survey of more than 30,000 colleagues. The index measures the level of transparency and cultural openness in the organisation – a key area of focus for us. Specifically, the year ahead will maintain a strong focus on embedding the Company's purpose, values, and culture as part of the deeper integration of WPD as well as continue to evolve the culture and ways of working across the Group. The diversity measure is a quantifiable target for the level of diversity in the strategic leadership group (SLG ~ top 110) in line with a key strategic priority to build a strong, diverse, and inclusive strategic leadership team and pipeline of talent to support the delivery of the Company's strategy.

Individual objectives

The Committee has approved individual objectives for the Executive Directors in line with key strategic and operational priorities for the year ahead. John Pettigrew's individual objectives for 2022/23 are focused on: 1) delivery of the enterprise-wide transformation; 2) execution of the Company and Board's strategic blueprint; and 3) development and progression of a diverse, inclusive, strategic leadership group talent and capabilities. Andy Agg's annual performance objectives are focused on: 1) management of the portfolio repositioning, credit strategy, and investor sentiment; 2) achievement of key regulatory outcomes (ED2) and performance; and 3) progression of the Finance function's transformation and talent agenda.

How our Remuneration Policy will be implemented in 2022/23

2022 Long Term Performance Plan

The 2022 LTPP performance measures and weightings for all Executive Directors comprise two equally weighted financial measures totalling 80% and two equally weighted net zero transition measures with a combined weighting of 20% as outlined in the table below. The maximum 2022 LTPP award is 350% and 300% of base salary for John Pettigrew and Andy Agg respectively, in line with the proposed Policy, subject to shareholder approval.

LTPP targets and performance are measured over the entire three-year performance period, which for the 2022 LTPP is 1 April 2022 – 31 March 2025. Subject to approval by the shareholders at the 2022 AGM, the 2022 Remuneration Policy and the LTPP plan rules (approved at the July 2021 AGM that reflect updates to align to market practice and good governance, in particular for malus and clawback provisions) would apply to the 2022 LTPP awards.

	Measure	Weighting
Financial measures	Cumulative three-year Underlying EPS (A)	40%
	Group RoE (A)	40%
Net zero transition measures	National Grid Scope 1 emissions	10%
	Enablement of net zero transition: Strategic initiatives (Scope 2 and 3)	10%

(A) **Denotes an 'alternative performance measure' as described on pages 268 – 279**

Financial measures

LTPP financial measures are selected to reflect key drivers of the Company's longer-term strategy and value creation for shareholders. Given the primarily regulated and long-term nature of our businesses, earnings growth and sustainable investment returns are important measures of long-term shareholder value creation. Whilst we recognise our short-term (APP) and long-term (LTPP) financial measures are similar, we believe these are the right measures to support delivery of the business strategy and the resultant creation of shareholder value. The combination of annual and long-term earnings and returns measures act together to incentivise strong operational delivery in a year, and long-term efficient asset growth and a sustainable dividend. As such, the 2022 LTPP financial measures are designed to incentivise different elements of performance over the long term as compared to the short term. Specifically in LTPP, Group RoE is averaged across the three-year performance period with targets set to ensure the company delivers sustainable performance for shareholders. Similarly, the Underlying EPS measure is a cumulative measure that sums Underlying EPS for the three years in the LTPP performance period and sets out to incentivise sustainable long-term earnings growth and value creation for shareholders. As such, LTPP Underlying EPS targets have been set in line with the Company's five-year investor frame with target performance aligned to the top end of the range. The LTPP Underlying EPS measure will not be subject to the technical adjustments made in annual Group EPS measure.

Below are the performance ranges for the financial measures in the 2022 LTPP. The targets have been set in consideration of the forthcoming RIIO-ED2 final determination, the portfolio transactions and the Company's forward Strategic Business Plan.

Financial performance measures	Weighting	Threshold 20% vesting	Maximum 100% vesting
Cumulative 3 year Underlying Group EPS (A)	40%	199 p	217 p
Group RoE (A)	40%	9.50%	10.75%

Notes: Vesting between threshold and maximum will be on a straight-line basis. The calculation for the Group RoE measure will reflect the updated methodology from 2021/22 going forward as outlined on page 277 of the Annual Report. Targets assume UK Gas Transmission minority stake is treated as a discontinued operation from start of 2023/24. Underlying EPS growth reflects the cumulative summation of the Underlying EPS results for each of the three years in the performance period; 2022/23, 2023/24 and 2024/25.

Net zero transition measures

The net zero transition measures set out targets and outcomes to achieve 1) reductions in the Company's direct Scope 1 emissions and 2) enable the broader net zero energy transition to achieve reductions in Scope 2 and Scope 3 emissions through greater reliance on low carbon/renewable energy sources in line with goals set out in our RBC.

The reduction of Scope 1 emissions target is a cumulative measure aligned to meet the Company's 2030 goals and the SBTi (Science Based Target initiative) well below 2°C pathway. The Scope 1 reduction target excludes Long Island Power Authority (LIPA) generation asset emissions as management do not have direct control over decisions to run the assets. In recent years, LIPA operation has been well above predicted levels driven by regional factors including availability of local supply. Broader considerations and actions regarding the longer term for LIPA have been incorporated into the second measure as part of enabling the net zero transition.

Net zero transition measures	Weighting	Threshold 20% vesting	Maximum 100% vesting
Reduction of Scope 1 emissions	10%	-50 $ktCO_2e$	-117 $ktCO_2e$

Note: Target represents cumulative savings as measured against the 2022 Scope 1 emissions baseline. These targets include best current estimates of the addition of WPD and removal of the UK Gas Transmission and US Rhode Island businesses.

How our Remuneration Policy will be implemented in 2022/23

The second measure reflects National Grid's role in enabling the net zero transition to a carbon neutral future by 2050. This measure will assess delivery against key net zero strategic priorities and quantified outcomes that underpin the Company's strategy to enable a net zero future by 2050. There are four key areas of focus; 1) US energy-efficiency programmes and generation; 2) UK net zero transmission strategy including interconnectors and transmission investment to connect offshore wind; 3) US future of gas strategy including the transition to renewable natural gas (RNG), hydrogen, and hybrid/electrification of heat; and 4) low-carbon electricity distribution investment in line with government and regulatory plans. Assessment of this measure will be based on a four-point scale (not met, partially achieved, achieved and over-achieved) based on delivery of quantifiable and qualitative outcomes to reflect a balanced assessment of performance.

Fees for NEDs

Non-executive Director fees were reviewed mid-year in light of the Board Committee and membership changes to ensure alignment to the market and simplify the fee structure. The fee increases will be effective from 1 January 2022 and paid retrospectively as of 1 July 2022.

Role	From 1 January 2022 (£'000)	From 1 July 2021 (£'000)	% increase vs 2021
Chair	700.0	700.0	0.0%
Senior Independent Director	30.0	23.6	27.1%
Board fee	80.0	71.1 (UK based)	12.5%
		84.4 (US based)	-5.2%
Chair Audit & Risk Committee	31.9	31.9	0.0%
Chair Remuneration Committee	30.0	31.9	-6.0%
Chair other Committees (Finance, Safety & Sustainability)	25.0	24.4	2.5%
Audit & Risk Committee member	23.0	11.0	109.1%
Remuneration Committee member	18.0	11.0	63.6%
Other Committee member (Finance, Safety & Sustainability, People & Governance)	15.0	11.0	36.4%

Note: For the People & Governance Committee, no fees are paid for the Committee Chair, the Senior Independent Director or the Board Chair.

The Directors' Remuneration Report has been approved by the Board and signed on its behalf by:

Ian Livingston
Committee Chair
18 May 2022