

National Grid Electricity Transmission plc - Statement of compliance with Section 42(C) of the Electricity Act 1989 (as amended by Section 61 of the Utilities Act 2000)

1. As an electricity transmission network owner and until 31 March 2019, electricity transmission system operator, National Grid Electricity Transmission plc (“NGET”) holds a licence in order to carry on activities subject to price regulation. Section 42(c) of the Electricity Act 1989 applies to any company which is authorised by a licence to carry on activities subject to price regulation. In order to comply with this, NGET is required to disclose the level of remuneration linked to levels of performance with respect to service standards in connection with activities subject to price regulation that has been paid, or is due to be paid, to the NGET directors for the year ended 31 March 2019.
2. Service standards are standards which relate to the quality of service received by customers or potential customers of the company.
3. Levels of remuneration are reviewed and approved annually by the Group Executive Committee, with delegated authority from the Remuneration Committee of the National Grid plc (being the ultimate holding company of NGET) Board of Directors in order to attract, retain and motivate directors of sufficient quality to deliver the objectives of NGET. In the case of directors of NGET who are members of the Group Executive Committee, e.g. Nicola Shaw, this review is conducted by the Remuneration Committee of the National Grid plc Board itself.
4. Performance based elements of remuneration formed a significant portion of the total remuneration package for the executive directors of NGET for the year ended 31 March 2019. For most directors, performance based elements accounted for 50-60% of the total remuneration opportunity; these are linked to both business performance measures and individual performance.
5. Remuneration has been paid to the executive directors as a result of arrangements linking their remuneration to levels of performance in respect of service standards and activities subject to price regulation. The Annual Performance Plan (APP) applicable to the NGET directors is directly linked to the financial performance of UK regulated activities, including NGET, and their individual performance. The individual performance is determined by an assessment of the achievement of objectives set at the start of the financial year and their demonstration of leadership behaviours and National Grid values. For the financial year ending 31st March 2019, these included key performance indicators related to demonstrated service levels to our customers and communities, e.g. reliability, customer service, safety.
6. In terms of the performance of NGET during the year, the National Grid Group Executive Committee and the Remuneration Committee of National Grid plc Board of Directors both reflected on business outcomes not directly included in the APP, including items related to demonstrated service levels to our customers and communities before finalising the plan pay-outs. No adjustments were made within this financial year to performance measure outcomes or to recoup any monies already paid to NGET directors.
7. NGET directors are also eligible to receive long-term incentive awards which are settled in National Grid plc shares. The number of shares received is dependent on:
 - a) a broad view of the director’s value to the National Grid Group of companies and their performance, which is indirectly impacted by demonstrated service levels to NGET’s customers; and
 - b) financial outcomes of National Grid plc over a three-year period, with a potential for a reduction to be made in the event of poor operational performance.
8. NGET directors are also eligible to receive awards under the National Grid recognition programme. Awards may be made to recognise significant efforts of an individual, and could potentially be related to service levels to our customers and communities. These awards tend to be small in value, and tend to be given to employees further down the organisation than the

NGET directors. No such awards were made to NGET directors for the financial year ended 31 March 2019.

9. On rare occasions, we may award exceptional share awards for a particular purpose, e.g. to retain a critical employee in a particularly high demand labour market. Although these awards are not based on service levels, we would be unlikely to make an award to an employee who we have deemed to not have enabled our delivery of sufficient service levels to our customers.
10. The NGET independent non-executive directors receive a flat monthly fee for their services. They do not participate in the annual bonus arrangements and their remuneration is not linked to performance standards.
11. NGET intend to continue to adopt this remuneration policy and approach for the year ended 31 March 2020 with all payments being subject to the review and approval of the Group Executive Committee and Remuneration Committee of National Grid plc's Board of Directors.

National Grid Gas plc - Statement of compliance with 33F of the Gas Act 1986 (as amended)

1. As a gas transmission network owner and system operator, National Grid Gas plc ("NGG") holds a licence in order to carry on activities subject to price regulation. Section 33F of the Gas Act 1986 (as amended) applies to any company which is authorised by a licence to carry on activities subject to price regulation. In order to comply with this, NGG is required to disclose the level of remuneration linked to levels of performance with respect to service standards in connection with activities subject to price regulation that has been paid, or is due to be paid, to NGG directors for the year ended 31 March 2019.
2. Service standards are standards which relate to the quality of service received by customers or potential customers of the company.
3. Levels of remuneration are reviewed and approved annually by the Group Executive Committee, with delegated authority from the Remuneration Committee of the National Grid plc (being the ultimate holding company of NGG) Board of Directors in order to attract, retain and motivate directors of sufficient quality to deliver the objectives of NGG. In the case of directors who are members of the Group Executive Committee, e.g. Nicola Shaw, this review is conducted by the Remuneration Committee of the National Grid plc Board itself.
4. Performance based elements of remuneration formed a significant portion of the total remuneration package for the executive directors of NGG for the year ended 31 March 2019. For most directors, performance based elements accounted for 50-60% of the total remuneration opportunity; these are linked to both business performance measures and individual performance.
5. Remuneration has been paid to the executive directors as a result of arrangements linking their remuneration to levels of performance in respect of service standards and activities subject to price regulation. The Annual Performance Plan (APP) applicable to NGG directors is directly linked to the financial performance of UK regulated activities, including NGG, and their individual performance. The individual performance is determined by an assessment of the achievement of objectives set at the start of the financial year and their demonstration of leadership behaviours and National Grid values. For the financial year ending 31st March 2019, these included key performance indicators related to demonstrated service levels to our customers and communities, e.g. reliability, customer service, safety.
6. In terms of the performance of NGG during the year, the National Grid Group Executive Committee and the Remuneration Committee of National Grid plc Board of Directors both reflected on business outcomes not directly included in the APP, including items related to demonstrated service levels to our customers and communities before finalising the plan pay-

outs. No adjustments were made within this financial year to performance measure outcomes or to recoup any monies already paid to NGG directors.

7. NGG directors are also eligible to receive long-term incentive awards which are settled in National Grid plc shares. The number of shares received is dependent on:
 - a) a broad view of the director's value to the National Grid Group of companies and their performance, which is indirectly impacted by demonstrated service levels to NGG's customers; and
 - b) financial outcomes of National Grid plc over a three-year period, with a potential for a reduction to be made in the event of poor operational performance.
8. NGG directors are also eligible to receive awards under the National Grid recognition programme. Awards may be made to recognise significant efforts of an individual, and could potentially be related to service levels to our customers and communities. These awards tend to be small in value, and tend to be given to employees further down the organisation than the NGG directors. No such awards were made to NGG directors for the financial year ended 31 March 2019.
9. On rare occasions, we may award exceptional share awards for a particular purpose, e.g. to retain a critical employee in a particularly high demand labour market. Although these awards are not based on service levels, we would be unlikely to make an award to an employee who we have deemed to not have enabled our delivery of sufficient service levels to our customers.
10. The NGG independent non-executive directors receive a flat monthly fee for their services. They do not participate in the annual bonus arrangements and their remuneration is not linked to performance standards.
11. NGG intend to continue to adopt this remuneration policy and approach for the year ended 31 March 2020 with all payments being subject to the review and approval of the Group Executive Committee and Remuneration Committee of National Grid plc's Board of Directors.