

DIRECTORS' REMUNERATION IN RESPECT OF SERVICE STANDARDS 2016/17 AND 2017/18

NATIONAL GRID ELECTRICITY TRANSMISSION PLC

Under Section 42C of the Electricity Act 1989, National Grid Electricity Transmission plc is required to give a statement disclosing whether the remuneration of the directors of the company is linked to service standards and, if so, the nature of the linkage.

Directors' remuneration consists of:

- basic salary;
- performance related Annual Performance Plan payment;
- long term incentives; and
- pension and other benefits.

Whilst there is no direct link between remuneration and performance against service standards in relation to basic salary, long term incentives, or pension and other benefits, the directors' performance against service standards is reviewed before Annual Performance Plan payments are decided.

2016/17

For the year 1 April 2016 to 31 March 2017, the directors of National Grid Electricity Transmission plc were as listed below. Where an individual served as a director for only part of the year, the details are shown accordingly:

Andrew Agg
David Wright
Cordelia O'Hara
Alan Foster
Catherine Bell (Sufficiently Independent Director)
Clive Elphick (Sufficiently Independent Director)
Christopher Bennett (appointed 25 June 2016)
Nicola Shaw (appointed 27 July 2016)

Mark Ripley (resigned 24 June 2016)
Christopher Murray (resigned 27 July 2016)

Catherine Bell and Clive Elphick are Sufficiently Independent Directors and receive a flat monthly fee for their services. They do not participate in the Annual Performance Plan and their remuneration is not linked to performance standards.

For the year 1 April 2016 to 31 March 2017, the Remuneration Committee of the board of National Grid plc reserved the right to adjust the Annual Performance Plan payments of executive directors of National Grid plc, in the light of any significant deterioration in the high levels of service standards set by National Grid Electricity Transmission plc. Nicola Shaw was a director of National Grid Electricity Transmission plc during the year and served as an executive director of National Grid plc.

For the year 1 April 2016 to 31 March 2017, the Executive Committee of the board of National Grid plc reserved the right to adjust the Annual Performance Plan payments of other directors of National Grid Electricity Transmission plc, in the light of any significant deterioration in the high levels of service standards set by National Grid Electricity Transmission plc. Responsibility for system reliability and safety was assigned to Nicola Shaw for this reporting period with effect from the date of her appointment on 27 July 2016. Christopher Murray held this responsibility for the period from 1 April 2016 to 27 July 2016.

The Annual Performance Plan arrangements of Andrew Agg, Mark Ripley (prior to his resignation), David Wright, Cordelia O'Hara, Alan Foster, Christopher Murray (prior to his resignation), Christopher Bennett and Nicola Shaw, were also subject to the service standards of National Grid Electricity Transmission plc in respect of MWh lost and loss of supply incidents.

In addition, the following Safety, Health and Environmental (SHE) standards in the following areas are measured:

- Attributable fatalities to a member of the public; employees and contractors
- Employee lost time injury rates;
- Percent of work days lost; and
- Serious environmental incidents including Prosecutions, Citations and Fines.

Annual Performance Plan payments are subject to reduction in the light of performance against these standards. In light of the fatal incident that occurred at East Claydon substation in November 2016, an adjustment was made to reduce Annual Performance Plan payments for 2016/17 by 10% for all members of the National Grid Electricity Transmission plc board, excluding the two Sufficiently Independent Directors. No other adjustments were made to Annual Performance Plan payments.

2017/18

As at the date of this notice, the directors for the current year are as follows:

Andrew Agg
David Wright
Cordelia O'Hara
Alan Foster
Christopher Bennett (appointed 25 June 2016)
Nicola Shaw (appointed 27 July 2016)
Catherine Bell (Sufficiently Independent Director)
Clive Elphick (Sufficiently Independent Director)

Catherine Bell and Clive Elphick are Sufficiently Independent Directors and receive a flat monthly fee for their services. They do not participate in the Annual Performance Plan and their remuneration is not linked to performance standards.

For all other directors, for the year 1 April 2017 to 31 March 2018, the Remuneration Committee of the Board of National Grid plc (in relation to Nicola Shaw) and the Executive Committee of the Board of National Grid plc (in relation to the other directors) will review the service standards performance achieved, reserving the right to make adjustments to the Annual Performance Plan payments of the directors of National Grid Electricity Transmission plc.

DIRECTORS' REMUNERATION IN RESPECT OF SERVICE STANDARDS 2016/17 AND 2017/18

NATIONAL GRID GAS plc

Under Section 33F of the Gas Act 1986, National Grid Gas plc is required to give a statement disclosing whether the remuneration of the directors of the company is linked to service standards and, if so, the nature of the linkage.

Directors' remuneration consists of:

- basic salary;
- performance related Annual Performance Plan payment;
- long term incentives; and
- pension and other benefits

Whilst there is no direct link between remuneration and performance against service standards in relation to basic salary, long term incentives, or pension and other benefits, the directors' performance against service standards is reviewed before Annual Performance Plan payments are decided.

2016/17

For the year 1 April 2016 to 31 March 2017, the directors of National Grid Gas plc were as listed below. Where an individual served as a director for only part of the year, the details are shown accordingly:

Andrew Agg
Cordelia O'Hara
Pauline Walsh
Alan Foster
Catherine Bell (Sufficiently Independent Director)
Clive Elphick (Sufficiently Independent Director)
Christopher Bennett (appointed 25 June 2016)
Nicola Shaw (appointed 27 July 2016)

Mark Ripley (resigned 24 June 2016)
Christopher Murray (resigned 27 July 2016)
Julian Allsopp (resigned 1 October 2016)
Christopher Train (resigned 1 October 2016)

Catherine Bell and Clive Elphick are Sufficiently Independent Directors and receive a flat monthly fee for their services. They do not participate in the Annual Performance Plan and their remuneration is not linked to performance standards.

For the year 1 April 2016 to 31 March 2017, the Remuneration Committee reserved the right to adjust the Annual Performance Plan payments of the executive directors of National Grid plc, in the light of any significant deterioration in the high levels of service standards set by National Grid Gas plc. Nicola Shaw was a director of National Grid Gas plc during the year and served as an executive director of National Grid plc. No such adjustments were made in relation to her Annual Performance Plan payment for 2016/17.

For the year 1 April 2016 to 31 March 2017, the Executive Committee of the board of National Grid plc reserved the right to adjust the Annual Performance Plan payments of other directors of National Grid Gas plc, in the light of any significant deterioration in the high levels of service standards set by National Grid Gas plc. Responsibility for system reliability and safety was assigned to Nicola Shaw for this reporting period with effect from the date of her appointment on 27 July 2016. Christopher Murray held this responsibility for the period from 1 April 2016 to 27 July 2016.

The Annual Performance Plan arrangements of Julian Allsopp (prior to his resignation), Andrew Agg, Mark Ripley (prior to his resignation), Christopher Train (prior to his resignation), Cordelia O'Hara, Pauline Walsh, Alan Foster, Christopher Murray (prior to his resignation), Christopher Bennett and Nicola Shaw were also subject to the service standards of National Grid Gas plc in respect of Uncontrolled Emergencies, Transportation Standards, Connection Standards, Emergency Call Handling and Emergency Response to Gas Escapes.

In addition, the following Safety, Health and Environmental (SHE) standards in the following areas are measured.

- Attributable fatalities to a member of the public; employees or contractors
- Employee lost time injury rates;
- Percent of work days lost; and
- Serious environmental incidents including Prosecutions Citations and Fines.

Annual Performance Plan payments are subject to reduction in the light of performance against these standards. In light of satisfactory performance against these standards, no adjustments were made to Annual Performance Plan payments for 2016/17.

2017/18

As at the date of this notice, the directors for the current year are as follows:

Andrew Agg
Cordelia O'Hara
Pauline Walsh
Alan Foster
Christopher Bennett (appointed 25 June 2016)
Nicola Shaw (appointed 27 July 2016)
Catherine Bell (Sufficiently Independent Director)
Clive Elphick (Sufficiently Independent Director)

Catherine Bell and Clive Elphick are Sufficiently Independent Directors and receive a flat monthly fee for their services. They do not participate in the Annual Performance Plan and their remuneration is not linked to performance standards.

For all other directors, for the year 1 April 2017 to 31 March 2018, the Remuneration Committee of the Board of National Grid plc (in relation to Nicola Shaw) and the Executive Committee of the Board of National Grid plc (in relation to the other directors) will review the service standards performance achieved, reserving the right to make adjustments to the Annual Performance Plan payments of the directors of National Grid Gas plc.