Corporate Governance

Chairman's foreword

In 2009, the Financial Reporting Council (FRC) issued a number of consultations looking at areas for improvement to governance practices in the UK's largest companies. National Grid has participated fully in these consultations and used them as an opportunity to consider further the governance and effectiveness of its Board and Committees. Good corporate governance is at the heart of the Company's drive to deliver shareholder value. We aim to be at the forefront of best practice in order to promote the success of the business using the Combined Code on Corporate Governance, soon to be updated and renamed the UK Corporate Governance Code, as a guide to the components of good practice.

As a Board, my fellow Directors and I are committed to the highest standards of corporate governance. As you would expect, we do not always do this as stand-alone items on our agendas, but instead we consider good governance to be part of our ongoing decision-making process. By embedding strong governance into our routine processes, we are doing our utmost to secure the future wellbeing of the Company.

Our review of the December 2009 FRC Consultation on the revised UK Corporate Governance Code, which primarily captures the lessons learned from the governance failures of the UK's banking and financial institutions that can be applied to the benefit of all companies, showed that National Grid is in a strong position to comply with the provisions of that Code. However, as would currently be the case with the Combined Code, if we do not think compliance with a particular provision is in the best interests of the Company or our shareholders we will of course explain our good reasons for this.

For many years now, in recognition of the Company's risk profile we have had, in addition to the required Audit Committee, both a separate Risk & Responsibility and a Finance Committee, see pages 89 and 90. These Committees probe into a considerable range of operational and financing issues that impact safety, health, environment, sustainability, policies and control mechanisms. These debates lead to direct reporting of findings and recommendations to the Board following each meeting.

Again this year we have carried out an in depth review of the Board's effectiveness and have produced, as we have done for several years, an action plan to ensure constant improvement. This year an external specialist in global corporate governance reviewed the process and I am proud to report that he concluded that we are in line with top quartile best practice globally, see page 86.

The Nominations Committee continues to consider if the Board has the right breadth of skills, experience and domain knowledge to secure the necessary level of challenge on key business decisions and risks that confront the Company, together with appropriate insight to enhance executive performance. It also considers Non-executive Director attendance at meetings and time spent on Company business and the influence and ability of each Non-executive Director to challenge the Executive Directors. I believe the Board continues to be focused on sound governance practices and that we have the right composition and skillset in our Directors to ensure the Board performs effectively, to enable us to respond to the challenges we face. To further enhance our processes, we will introduce annual re-election of the Chairman and all Directors from the 2010 Annual General Meeting (AGM) onwards.

Sir John Parker
Chairman

Governance framework

The Company is committed to operating our businesses in a sustainable and responsible manner. Our corporate governance framework forms an integral part of this approach in order to safeguard shareholder value. Our Company wide policies and procedures including risk management, which are referred to later in this report, are considered as part of the overall governance of the business. However, this report focuses on the Company's approach to corporate governance as provided in the Combined Code on Corporate Governance as revised in 2008 (the Code), currently applicable to UK listed companies until the UK Corporate Governance Code becomes effective. The Company also has regard to, and regularly reviews, developing corporate governance best practice including matters contained in various investor guidelines.

The Board considers that it complied in full with the provisions of the Code during the year. While Bob Catell is not considered to have been independent during his period as a Non-executive Director from 1 April to 27 July 2009, throughout the year at least half the Board, excluding the Chairman, comprised Non-executive Directors determined by the Board to be independent.

This report explains key features of the Company's governance structure and how it applies the principles of the Code. Areas required to be covered under the Disclosure and Transparency Rules can be found in this report and in the Directors' Report on pages 96 and 97.

During the year, the Board has reviewed its role and matters reserved for its consideration as part of a review of the Delegations of Authority. As a result of this review, the Delegations of Authority were amended in September 2009 primarily with respect to US rate plans, operating expenditure and one of our operational subsidiaries. The Board's role includes: approval of the overall business strategy for National Grid; approval of the business plan and budget; approval of the financial policy; approval of acquisitions or divestments; approval of shareholder documents and results announcements; consideration of dividend policy and payments; and oversight of governance including Policy and Procedure statements, Codes of Conduct, Delegations of Authority, the Framework for Responsible Business and Standards of Ethical Business Conduct for all employees. The framework and standards described above, together with other documentation relating to the Company's governance, are available on our website at www.nationalgrid.com.

The Board during the year was composed as set out in the following table. The Board currently consists of a Non-executive Chairman, 5 Executive Directors and 7 Non-executive Directors determined by the Board to be independent. Balance is considered a key requirement for the composition of the Board, not only in terms of the Executives and Non-executives but also with regard to the mix of skills, experience and knowledge. Biographical details for all the Directors can be found on pages 12 and 13 together with details of Board Committee memberships. Attendance at Board meetings was as indicated from a total of 10 meetings:

Name	Attendance*
Chairman	
Sir John Parker	10 of 10
Chief Executive	
Steve Holliday	10 of 10
Executive Directors	
Mark Fairbairn	10 of 10
Tom King	10 of 10
Steve Lucas	9 of 10
Nick Winser	10 of 10
Non-executive Directors	
Ken Harvey (Senior Independent Director)	10 of 10
Linda Adamany	10 of 10
Philip Aiken	10 of 10
John Allan	9 of 10
Stephen Pettit	10 of 10
Maria Richter	10 of 10
George Rose	7 of 10
Bob Catell (Deputy Chairman to 27 July 2009)	3 of 3

* Attendance is expressed as number of meetings attended out of number possible or applicable for the individual Director

Board members are required to attend Board and Committee meetings regularly in order to ensure they are kept up to date with the business and accordingly can contribute to meetings. Directors are informed of proposed meeting dates well in advance. Acknowledging that Non-executive Directors in particular will have other commitments, if they are unable to attend meetings, the Chairman is informed and the reasons for their non attendance recorded. Should any Directors be unable to attend a meeting, they are encouraged to communicate their opinions and comments on the matters to be considered via the Chairman of the Board or the relevant Committee chairman. Instances of non attendance during the year were considered and determined as being reasonable in each case due to the individual circumstances. Attendance at meetings is considered as part of the one-to-one Director performance evaluations conducted by the Chairman.

Directors are sent papers for meetings of the Board and those Committees of which they are a member. Guidelines are in place concerning the content, timeliness and preferred presentation of papers to ensure Directors are briefed appropriately.

In addition to the performance evaluation described on page 86, shareholders have the opportunity to consider formally the appointment and performance of each Director by voting in relation to their re-election as a Director at the Annual General Meeting (AGM). In accordance with the Articles of Association, Directors would normally submit themselves for re-election by shareholders at the first AGM following their initial appointment to the Board and then at subsequent AGMs at least once every three years. In accordance with investor guidelines, all Directors will seek re-election in 2010 as set out in the Notice of 2010 AGM. The Board has also decided, consistent with emerging best practice, that all Directors will seek re-election annually thereafter.

As referenced in the Consultation on the revised UK Corporate Governance Code, we welcome and support the view that a perceived lack of independence, in particular due to length of tenure, should not be considered an impediment for re-election where the individual brings clear skills, experience and knowledge to the Board.

In order to ensure transparency regarding the terms of their appointment, the service contracts (Executive Directors) and letters of appointment (Non-executive Directors) of Board members are available to our shareholders and may also be inspected at the AGM prior to the meeting. Further details regarding the Directors' service contracts and letters of appointment can be found in the Directors' Remuneration Report on pages 98 to 108. The Board continues to note and monitor possible conflicts of interest that each Director may have. Potential conflicts are considered and, if appropriate, approved and noted, with the conflicted Director not voting on the matter. Directors are reminded of their continuing obligations in relation to conflicts at each Board meeting. During the year ended 31 March 2010, the Board has authorised a number of situations advised to it by the Directors, most of which are the holding of directorships or similar offices with companies or organisations not competing with the Company. The Board has not, in relation to any of those situations, identified any actual conflict of interest and has authorised such situations in accordance with its powers.

Non-executive Director independence

In order for the Non-executive Directors to contribute fully to the unitary Board, and in particular to challenge the Executive Directors over strategic matters where appropriate, it is important that the Non-executive Directors bring experience, probity and independence to the Board. Accordingly, the independence of the Non-executive Directors is considered at least annually. This assessment also considers the character, judgement and commitment of each Non-executive Director as well as their performance on the Board and relevant Committees. The Non-executive Directors, in their letters of appointment, have each committed individually to allocate sufficient time to Company business to meet the expectations of the role. The agreement of the Chairman should be sought before Non-executive Directors accept additional commitments that might affect the time they are able to devote to the Company. The Board in its deliberations specifically took into consideration the Code and examples of indicators of potential non independence including length of service. Following such evaluation, each of the Non-executive Directors at year end has been determined by the Board to be independent notwithstanding that Ken Harvey and George Rose have served on the Board for more than nine years when including their appointments as directors of Lattice Group plc. The Board believes they have retained independent character and judgement. The Board considers that the varied and relevant experience of all the independent Directors combines to provide an exceptional balance of skills and knowledge which is of great benefit to the Company.

Roles of the Chairman, Chief Executive and Senior Independent Director

In order to avoid the potential for apparent concentration of power in one individual, the Chairman and the Chief Executive have separate roles and responsibilities, which have been approved by the Board. The Chairman's main responsibility is the leadership and management of the Board and its governance. He chairs the Board meetings ensuring, for example, that the forward agendas are appropriate, that relevant business is brought to the Board for consideration in accordance with the schedule of matters reserved to the Board, the Delegations of Authority and the Board's strategic remit, and that each Director has the opportunity to consider the matters brought to the meeting and to contribute accordingly. His contractual commitment to National Grid is two days per week but in practice this is often exceeded. The Board is satisfied that the Chairman and other Non-executive Directors, if required, would be available as needed outside their

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contracted hours. The number and perceived responsibility of other directorships are considered annually to satisfy the Board that Directors do not have excessive commitments that could potentially restrict their commitment as a Director of the Company.

The Chief Executive, as leader of the Company's executive team, retains responsibility for the leadership and day-to-day management of the Company and the execution of its strategy as approved by the Board. In addition to the other Executive Directors, key corporate executives report directly to the Chief Executive.

The Senior Independent Director is Ken Harvey. He was appointed to this role in 2004. His responsibilities include leading the Non-executive Directors' annual consideration of the Chairman's performance and holding discussions with Non-executive Directors without Executive Directors or other members of management present. He is also available to shareholders in the event they feel it inappropriate to communicate via the Chairman, the Chief Executive or the Finance Director. No such requests were received from shareholders during the year.

Director development

The Chairman, with the support of the Company Secretary & General Counsel, is responsible for the induction of new directors and involved with ongoing development of all Directors. This includes a discussion on any personal development needs at the one-to-one meetings held with the Chairman as part of the Board and Board Committee performance evaluation. Upon appointment to the Board, new Non-executive Directors receive a tailored induction programme including the provision of recent Board materials and presentations, visits to the Company's businesses, one-to-one meetings with Executive Directors and other senior management, and a directors' information pack to provide background reference information on the Company's businesses and operations including issues relating to corporate responsibility. Board meetings are regularly held at the Company's sites and additional site visits are organised in order for the Directors to develop their understanding of the business.

Particular ongoing development attention is given to current issues including, for example, the economic and regulatory environment, the Company's businesses and governance best practice, emerging developments and director effectiveness. This includes, for Non-executive Directors:

- informing them at each Board meeting of the latest training courses which may be of interest;
- attendance at key site visits;
- informing them of legal and corporate governance updates and best practice; and
- management presentations.

For Executive Directors, coaching and development programmes include:

- external coaching;
- attendance at external courses and business schools; and
- experience of other boardrooms through non-executive appointments.

Accordingly as part of their development and with the agreement of the Board: Steve Holliday, the Chief Executive, is a non-executive director of Marks and Spencer Group plc; Steve Lucas, Finance Director, is a non-executive director of Compass Group PLC; and Nick Winser, Executive Director, Transmission, is a non-executive director of Kier Group plc. As part of her development, the Company Secretary & General Counsel is a non-executive director of Stagecoach Group plc and, previously in the year but not simultaneously, Aga Rangemaster Group plc. The fees for these positions are retained by the Directors and the Company Secretary & General Counsel respectively and details for Directors are on page 102.

The Company Secretariat is available to provide assistance and information on governance, corporate administration and legal matters to Directors as appropriate. Directors may also seek, at the Company's expense, advice on such matters, or on other business related matters, directly from independent professional advisors should they so wish. This is in addition to the advice provided by independent advisors to the Board Committees. No requests for external professional advice were received during the year.

Performance evaluation

Continuous improvement and development of Board and Board Committee processes and procedures is key to ensuring that National Grid's governance structures remain in line with best practice. Since 2003/04, an internal process has been established for evaluating the performance of the Board, Board Committees and individual Directors. Each year the Nominations Committee reviews the appropriateness of the internal process and considers if an external party should be engaged to facilitate and/or perform the annual evaluation. Although the Committee agreed the internal review remains robust it determined that a review of international best practice may provide assurance that the Company's process remains at the forefront of best practice, and potentially provide insights into how the process could be further improved. Subsequent to this decision, the Consultation on the revised UK Corporate Governance Code proposed the use of an external facilitator to undertake the evaluation of board performance at least every three years.

Professor Andrew Kakabadse, Professor of International Management Development, Cranfield School of Management, presented a paper in January 2010 to the Board. The presentation entitled Chairman and Global Board Best Practice: An International Investigation summarised Professor Kakabadse's research over the past decade through interviews with non-executive directors, CEOs, chairs and executive directors from around the globe, including the UK, US, Australia, Germany, Russia, China and South Africa. The discussion provoked debate and ideas on how the internal process could be updated in future years. Professor Kakabadse also reviewed the Company's current evaluation process and concluded that it was in line with top quartile best practice globally.

The 2009/10 process was led by the Chairman, assisted by the Company Secretary & General Counsel, and consisted of a confidential survey which invited anonymous comments. It was completed by all Directors in relation to the Board and all Committees of which they are a member. The Board survey focused on a number of key areas including Board size, composition, training, governance, performance and operation. One-to-one meetings were then held between the Chairman and each Director (Executive and Non-executive) together with a separate Non-executive Director only informal meeting, this element having been introduced in 2008/09. In addition, regular attendees at Committee meetings were also asked to complete surveys in relation to the relevant Committees.

The Company Secretary & General Counsel collated the survey results, together with any key issues arising out of the one-to-one meetings with the Chairman and the separate Non-executive Directors' meeting, and incorporated these into an action plan for 2010/11. In accordance with established practice the results were considered first by the Nominations Committee and then by the Board and each Committee, which each reviewed the matters highlighted by the evaluation, the formal response and the action plan. During the year, the action plan is monitored actively. Actions arising in last year's survey were implemented throughout 2009/10 and included: greater emphasis on inclusion and diversity and strategic business trends analysis on business agendas; improved use of video conferencing; and earlier issue of Board and Board Committee papers.

The 2009/10 results showed improvement on the previous year's Board and Board Committee performance and no major changes were required to associated processes and procedures.

However, valuable actions to be addressed over the coming year include:

- enhancement of the Non-executive Directors' familiarity and interaction with each line of business;
- development of a more standard presentation format for in depth line of business reviews, in order to promote consistency and ease of comparison; and
- greater transparency of key performance indicator data provided to the Board.

The Chairman's performance was reviewed and his leadership and performance were considered to have been of a high standard.

The Board and its Committees

The Board reserves a number of matters for its sole consideration where these matters impact the strategic direction and effective oversight of the Company and its businesses. Examples include:

- corporate governance;
- strategy, financial policy and approval of the budget and business plan;
- Director/employee issues such as Director succession planning, with input and recommendations from the Nominations Committee; and
- stock exchange and listing requirements such as dividend approval/recommendation and approval of results announcements, interim management statements and the Annual Report and Accounts.

In addition to the matters reserved to the Board, a full description of which are available on our website at www.nationalgrid.com, certain items of strategic, operational or governance importance are considered at every scheduled Board meeting including:

- safety, health and the environment;
- the financial status of the Company;
- operational headlines from the Company's businesses together with a detailed update from one of the lines of business on a rotating basis;
- updates on business development and strategy implementation;
- updates on external matters affecting the Company;
- reports from the Board Committees; and
- updates on the governance of the Company and its businesses and any legal or new risk issues that the Board should be aware of.

In order to have the opportunity to discuss matters, for example relating to governance, independently of management, the Chairman and other Non-executive Directors meet formally at least once a year without Executive Directors or other members of management present. The Chairman and Non-executive Directors also meet formally at least once a year with the Chief Executive. Ad hoc meetings may also be held as required.

In order to operate effectively and to give appropriate attention and consideration to matters, the Board has delegated authority to its Committees to carry out certain tasks as defined in, and regulated by, the Committees' terms of reference, which are available on our website at www.nationalgrid.com. These Committees comprise the Audit, Executive, Finance, Nominations, Remuneration and Risk & Responsibility Committees. The Board is kept apprised by the Committee chairmen through the provision of a summary of the issues discussed and decisions taken by the Committee. Minutes of Committee meetings are circulated to other Directors once available.

The following sections explain the responsibilities of each Board Committee and the areas that they covered during the year.

Audit Committee

Key functions of the Audit Committee include reviewing: the Company's financial reporting and internal controls and their effectiveness; the procedures for the identification, assessment and reporting of risks; the appropriateness of the auditors in carrying out certain non-audit work; and the level of audit and non-audit fees payable to the auditors.

The Committee, whose members are all independent Non-executive Directors, considers that both management and the external auditors should attend meetings where possible in order to provide the members of the Committee with the information that they require and to answer questions. Accordingly, others invited to attend meetings include the Chairman, Chief Executive, Finance Director, director of corporate audit, financial controller, Company Secretary & General Counsel, chief accountant and external auditors. Additionally, the Executive Directors, global director of tax and treasury and global head of risk management are invited to attend Audit Committee meetings, as necessary, to provide updates and background information.

Meetings are held at least four times a year and membership and attendance at meetings was as follows during 2009/10 from a total of six meetings:

Name	Attendance*
George Rose (chairman)	6 of 6
Linda Adamany	6 of 6
Philip Aiken	5 of 6
Maria Richter	5 of 6

* Attendance is expressed as number of meetings attended out of number possible for the individual Director

Due to the technical nature of some of the financial and accounting issues that come before it, all the Committee's

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members are required to have an understanding of financial matters and experience of dealing with such issues at a senior executive level. In addition, the Board has determined that George Rose, finance director of BAE Systems plc, has recent and relevant financial experience in accordance with the Code and deems him to be a suitably qualified financial expert as required by the Audit Committee's terms of reference and US requirements.

In accordance with its terms of reference and business and accounting developments, the principal matters considered by the Committee during the year ended 31 March 2010 included:

- a review of the level and constitution of external audit and non-audit fees and the independence and objectivity of the external auditors, including an evaluation of the external audit process globally, incorporating a review of the expertise of the audit firm;
- monitoring and reviewing the effectiveness of internal (corporate) audit activities, including discussions with the director of corporate audit without management present;
- reviewing the effectiveness of the Company's financial reporting, internal controls and compliance with applicable legal requirements and monitoring risk and compliance management procedures across the Company and reviewing specific risks (details of such risks can be found on pages 93 to 95);
- receiving reports from the business separation compliance officer, as required under National Grid Gas plc's gas transporter licences;
- reviewing the Company's results statements, interim management statements and Annual Report and Accounts before publication and making appropriate recommendations to the Board following review;
- reviewing accounting policies in light of international accounting developments;
- receiving reports where appropriate in accordance with its terms of reference on business conduct issues, including any instances of alleged fraud and actions taken as a result of investigations and a review of the whistleblowing policy; and
- receiving reports from the Company's cross functional steering group that has been established to ensure appropriate awareness of and actions in relation to risks arising from the current economic climate.

The Company has established procedures whereby any employee may, via a confidential helpline, raise concerns relating to personal issues, potential fraud, health and safety, harassment, discrimination, security or any other matter. The Company is confident that these whistleblowing arrangements are satisfactory and will enable a proportionate and independent investigation of such matters and appropriate follow up action to be taken.

The Committee has established procedures to ensure that submissions by Company employees arising from the Company's whistleblowing policy, including those relating to questionable accounting or auditing matters utilised by the Company, are treated confidentially and anonymously and are reported in summary to the Committee. It also ensures that matters relating to business conduct and other subjects within the Risk & Responsibility Committee's terms of reference are reported appropriately.

The Committee works closely with both the corporate and external auditors. In relation to the corporate auditors, it receives, reviews and approves the corporate audit plan and ensures that the corporate audit function has sufficient resources to carry out its work. The appointment and removal of the director of corporate audit is subject to the approval of the Committee.

In relation to the external auditors, the Committee is solely and directly responsible for and approves the appointment, reappointment, fees and oversight of the external auditors, subject to the requirement for shareholder approval each year at the AGM. The Committee receives the external audit plan so that the external auditors have the opportunity to raise any matters in confidence, and meetings are held with the Committee at least annually without management present.

In order to ensure the external auditors remain objective and independent, in accordance with best practice, all non-audit work carried out by the external auditors is subject to Audit Committee preapproval. The engagement of the external auditors for non-audit services is restricted by the Sarbanes-Oxley Act 2002 which prohibits them from providing certain services. Where a service is permissible, the Company's policy is that the external auditors will not be used for non statutory audit work unless it can be demonstrated as part of the approval process that the engagement is a natural extension of their audit work or there are other overriding reasons that make them the most suitably qualified to undertake it. The non-audit services in the year ended 31 March 2010 related primarily to tax and audit related work and work in connection with our rights issue. Details of the fees paid to the external auditors for non-audit work carried out during the year can be found in note 2 to the consolidated financial statements on page 129.

In addition to the annual review of the service provided by the external auditors, the Committee considers at least every three years if the audit might be provided more efficiently or effectively by an alternative audit firm. As a result, the Company may put the audit out to tender. Following the latest annual review, the Committee is satisfied with the effectiveness, objectivity and independence of the external auditors and they will be recommended to shareholders for reappointment at the AGM. There are no contractual obligations restricting the Company's choice of external auditors and no auditor liability agreement has been entered into by the Company. The external auditors are required to rotate the audit partner responsible for the Company every five years and the current lead audit partner is stepping down on this basis, with a new partner assuming his responsibilities with effect from the 2010/11 financial year.

Executive Committee

The Committee oversees the financial, operational and safety performance of the Company, taking whatever management action it considers necessary to safeguard the interests of the Company and to further the strategy, business objectives and targets established by the Board. From 27 July 2009, the Committee's membership was expanded to include function heads who had previously attended the meetings regularly. The Committee now comprises the Chief Executive, as chairman, the other Executive Directors, the Company Secretary & General Counsel, the global human resources director (Mike Westcott), the global director of strategy and business development (Alison Wood), the corporate affairs director (George Mayhew) and the chief information officer (David Lister). Senior management personnel are invited to attend meetings of the Executive Committee as necessary to keep it fully apprised of the Company's businesses.

Executive Committee membership and attendance at meetings was as follows during 2009/10 from a total of 12 meetings:

Name	Attendance*
Steve Holliday (chairman)	12 of 12
Mark Fairbairn	12 of 12
Tom King	11 of 12
Steve Lucas	12 of 12
Nick Winser	11 of 12
David Lister	8 of 9
Helen Mahy	12 of 12
George Mayhew	9 of 9
Mike Westcott	7 of 9
Alison Wood	8 of 9

* Attendance is expressed as number of meetings attended out of number possible or applicable for the individual

Examples of matters that the Committee considered during the year included:

- the financial, operational, safety and environmental performance of the Company and its businesses;
- strategic business development and implementation;
- approving capital and operational expenditure under the specific authorities delegated to it by the Board;
- global regulatory matters;
- business conduct, risk and compliance reports;
- adequacy and effectiveness of internal control and risk management;
- global inclusion and diversity matters;
- global outsourcing;
- global human resource matters; and
- global information systems strategic issues.

At each meeting there are in depth review sessions on key business areas for the Company.

Finance Committee

The Finance Committee comprises the Chief Executive, the Finance Director and three Non-executive Directors, one of whom is chairman of the Committee. The Committee's responsibilities include setting policy and granting authority for short-, medium- and long-term financing decisions, bank accounts, credit exposure, control mechanisms for hedging and foreign exchange transactions, guarantees and indemnities and approving, or if appropriate recommending for consideration by the Board, other treasury and tax management policies of the Company. It also considers and approves the risk management procedures in relation to trading and hedging activities undertaken. The global director of tax and treasury is invited to attend Committee meetings on a regular basis. External advisors are invited to attend the meetings as and when considered appropriate, together with the global head of retirement plans and other executives from the Company.

Membership and attendance at meetings was as follows during 2009/10 from a total of four meetings:

Name	Attendance*
Maria Richter (chairman)	4 of 4
John Allan	3 of 4
Steve Holliday	3 of 4
Steve Lucas	3 of 4
Stephen Pettit	4 of 4

* Attendance is expressed as number of meetings attended out of number possible for the individual Director

Examples of matters that the Committee considered during the year included:

- long-term funding requirements;
- setting and reviewing treasury management guidelines and policy in light of market conditions;
- taxation issues for the Company;
- treasury performance updates; and
- pensions updates.

"The ability to raise finance is a key factor to the success of the Company, especially with the volume of planned capital investment in both the UK and US and the recent global economic downturn. While market conditions are likely to remain testing for some time, the knowledge and experience of the treasury, taxation and pensions personnel at National Grid, many of whom present to the Committee, provide the members with the confidence that National Grid is well positioned to meet the financial challenges ahead."

Maria Richter, Committee chairman

Nominations Committee

The Nominations Committee, consisting of the Chairman and Non-executive Directors, is responsible for considering the structure, size and composition of the Board and for identifying and proposing individuals to be Directors and senior management. A key consideration is succession planning for the Board and senior management and the Committee considered this in detail during the year. Succession planning ensures the Company is managed by executives with the necessary skills, experience and knowledge and the Board itself has the right balance of individuals to be able to discharge its duties effectively. Generally, external recruitment consultants are used as part of any appointments process. Changes to the Board require Board approval following recommendation from the Committee.

The Nominations Committee membership and attendance at meetings was as follows during 2009/10 from a total of six meetings:

Name	Attendance*
Sir John Parker (chairman)	6 of 6
Ken Harvey	6 of 6
Maria Richter	6 of 6
George Rose	5 of 6

* Attendance is expressed as number of meetings attended out of number possible for the individual Director

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The Chief Executive is invited to attend Nominations Committee meetings on a regular basis. Advice is sought from the global human resources director and external advice is sought as appropriate.

Matters that the Committee considered during the year included:

- the size of the Board, its structure and composition;
- changes to the composition of Board Committees;
- the annual Board and Committee evaluation process;
- succession planning for Board members; and
- development and succession plans for senior management, as developed by the Chief Executive and global human resources director.

Remuneration Committee

The Remuneration Committee, consisting of Non-executive Directors, is responsible for developing policy relating to executive remuneration, and for determining the remuneration of the Executive Directors and executives below Board level who report directly to the Chief Executive. It also has oversight of the remuneration policies for other employees of the Company and provides direction over the Company's employee share plans.

Further details of the policy on remuneration and details of individual remuneration are available in the Directors' Remuneration Report on pages 98 to 108.

The Remuneration Committee membership and attendance at meetings was as follows during 2009/10 from a total of seven meetings:

Name	Attendance*
John Allan (chairman)	7 of 7
Ken Harvey	7 of 7
Stephen Pettit	7 of 7
George Rose	6 of 7

* Attendance is expressed as number of meetings attended out of number possible for the individual Director

The global human resources director and global head of compensation & benefits provide advice on remuneration policies and practices and are usually invited to attend meetings, along with the Chairman and the Chief Executive. Independent external advisors are also utilised by the Committee where appropriate.

Risk & Responsibility Committee

The Risk & Responsibility Committee, consisting of Non-executive Directors, is responsible for reviewing the strategies, policies, targets and performance of the Company within its Framework for Responsible Business, a copy of which is available on our website at www.nationalgrid.com. The Committee reviews the Company's non-financial risks for which it has oversight and in this regard the Committee interfaces with and works closely with the Audit Committee.

Accordingly it reviews matters such as: safety, including public and process safety; the environment and climate change; employee wellbeing and occupational health; inclusion and diversity; security, including that related to information systems; human rights issues; and business ethics and conduct.

The Risk & Responsibility Committee membership and attendance at meetings was as follows during 2009/10 from a total of four meetings:

Name	Attendance*
Stephen Pettit (chairman)	4 of 4
Linda Adamany	4 of 4
Philip Aiken	4 of 4
Ken Harvey	4 of 4
Bob Catell (retired 27 July 2009)	1 of 1

* Attendance is expressed as number of meetings attended out of number possible or applicable for the individual Director

The Chief Executive, Company Secretary & General Counsel, director of UK safety, health and environment, US senior VP safety, health, environmental services and security and director of corporate audit are invited to attend Risk & Responsibility Committee meetings. Executive Directors, the corporate affairs director and others, including business representatives, are invited to attend as necessary.

During the year, the Committee:

- reviewed serious incident and near miss reports;
- considered the current and projected environmental impact of the Company, including climate change;
- reviewed safety, health and environment audit plans and the outcome of such audits;
- reviewed progress in embedding a process safety culture;
- considered specific identified future risks and plans for minimising such risks;
- reviewed reports on business conduct issues; and
- considered reports and updates from external safety, health, environment and security advisors.

The members of the Risk & Responsibility Committee take part in site visits where they benefit from close engagement with employees from different parts of the organisation. During the year ended 31 March 2010, the Committee held 2 employee meetings, 1 in the UK and 1 in the US, at which a total of approximately 65 employees were invited to ask questions directly to the Non-executive Directors on matters relating to the terms of reference of the Committee. In addition, Committee members met various gas distribution repair, replacement and maintenance crews on site in London and the Chairman and some Non-executive Directors had a tour of the new US headquarters in Waltham which was awarded platinum level for Leadership in Energy and Environmental Design for shell and core construction.

"All Committee members enjoy and appreciate the opportunity to meet with employees at all levels of the organisation and to hear their views and opinions on matters such as safety, environment, health and other important risks. This enhances significantly our understanding of the matters when they are brought to our meetings in a more formal way. Most of the Non-executive Directors together with the Chairman of the Board also took part in an inclusion and diversity workshop. We explored what the Company means by inclusion and diversity and why both are so important to the Company's success. We also considered what we as Non-executive Directors can do to support the Company on its inclusion and diversity journey. We continually look to apply the knowledge gained at the workshop in our Company meetings and site visits."

Stephen Pettit, Committee chairman

Disclosure Committee

National Grid has established disclosure committees that are tasked with various duties relating to the material disclosures made to the market by the Company and relevant subsidiaries. The Disclosure Committee of the Company is chaired by the Finance Director and its members are the Company Secretary & General Counsel, global director of tax and treasury, financial controller, director of investor relations, director of corporate audit and corporate counsel and head of company secretariat and such other members and/or attendees as the Committee from time to time considers appropriate.

The Committee's role is to assist the Chief Executive and the Finance Director in fulfilling their responsibility for oversight of the accuracy and timeliness of the disclosures made by the Company whether in connection with its financial reporting obligations or other material stock exchange announcements and presentations to analysts. Accordingly, during the year the Committee reviewed the process and controls over external disclosures and key documents before release including the Annual Report and Accounts, the preliminary and half year results statements and the interim management statements.

Shareholders

In accordance with the schedule of matters reserved to the Board and the Code, the Board has responsibility for ensuring effective communication takes place with all shareholders and it considers carefully all major announcements to the market. Relations with shareholders are managed mainly by the Chief Executive, Finance Director and director of investor relations. Meetings are held regularly throughout the year with institutional investors, fund managers and analysts to discuss the public disclosures and announcements made by the Company.

The Chairman also writes to major shareholders following the announcement of the Company's preliminary and half year results to offer them the opportunity to meet with him, the Senior Independent Director or any of the Non-executive Directors. This enables major shareholders to take up with these individuals any issue they feel unable to raise with the Chief Executive or Finance Director. Major shareholders are also invited to meet newly appointed Directors.

In order that all Board members are aware of and understand the views of shareholders about the Company, the Board receives feedback on shareholders' views from the Company's brokers, supported by the director of investor relations. Analysts' notes on the Company are also circulated regularly to Directors.

The Company considers it has a strong level of engagement with its major shareholders and expects to build on this with the future publication of the Stewardship Code for Institutional Investors.

Issues relevant to our smaller shareholders are also considered by the Board. During the year ended 31 March 2010, the Company offered initiatives such as a dividend reunification programme which traces shareholders who have not cashed dividends, a low cost share dealing service for sales and purchases, and the shareholder networking programme. Twice a year, this programme offers retail shareholders the opportunity to understand further the Company's operations through site visits and meetings with Directors and senior managers. Following shareholder approval at the 2009 AGM, the Company offered a Scrip Dividend Scheme under which shareholders could acquire additional shares in the Company without being subject to dealing costs or stamp duty reserve tax. Further details of these initiatives are available in the Shareholder Information section on page 190.

Corporate governance practices: differences from New York Stock Exchange (NYSE) listing standards

As the Company has a US listing, it is required to disclose differences in corporate governance practices adopted by the Company as a UK listed company, compared with those of a US company. The corporate governance practices of the Company are primarily based on UK requirements but substantially conform to those required of US companies listed on the NYSE. The principal differences between the Company's governance practices pursuant to the Code and UK best practice and the Section 303A Corporate Governance Rules of the NYSE are:

- different tests of independence for Board members are applied under the Code and Section 303A;
- there is no requirement for a separate corporate governance committee in the UK; all Directors on the Board discuss and decide upon governance issues and the Nominations Committee makes recommendations to the Board with regard to certain of the responsibilities of a corporate governance committee;
- while the Company reports compliance with the Code in each Annual Report and Accounts, there is no requirement to adopt and disclose separate corporate governance guidelines; and
- while the Audit Committee, having a membership of four independent Non-executive Directors, exceeds the minimum membership requirements under Section 303A of three independent Non-executive Directors, it should be noted that the quorum for a meeting of the Audit Committee, of two independent Non-executive Directors, is less than the minimum membership requirements under Section 303A.

Risk management and internal control

The Board is committed to the protection of our assets, which include human, property and financial resources, and our reputation, largely through a sound system of internal control, in order to safeguard the interests of our shareholders. Effective operational and financial controls, including the maintenance of qualitative financial records, are an important element of internal control.

In order to understand the risks and potential control issues facing the Company, the following sections as well as pages 26 and 27 in the Operating and Financial Review should be considered. The system of internal control, and in particular our risk management policies, has been designed to manage rather than eliminate material risks to the achievement of our strategic and business objectives while also recognising that any such process can provide only reasonable, and not absolute, assurance against material misstatement or loss. This process complies with the Turnbull working party guidance, revised October 2005, in this matter and, in addition, contributes toward our compliance with our obligations under the Sarbanes-Oxley Act as well as other internal assurance activities.

In accordance with the Code and the schedule of matters reserved to the Board, the Board retains overall responsibility for the Company's system of internal control and monitoring its

Corporate Governance continued

effectiveness. There is an established system of internal control throughout the Company and its businesses. This system depends on thorough and systematic processes for the identification and assessment of business critical risks and their management and monitoring over time. In depth reports are provided from both line managers and certain internal assurance providers such as corporate audit and risk and compliance. These reports are provided to Board Committees in relation to their specific areas of responsibility. The Board's Committee then provides reports to the Board in this regard.

The Board reviews the internal control process and its effectiveness on an annual basis to ensure it remains robust and to identify any control weaknesses. The latest review covered the financial year to 31 March 2010 and included the period to the approval of this Annual Report and Accounts.

This review includes:

- the receipt of a Letter of Assurance from the Chief Executive, which consolidates key matters of interest raised through the year-end assurance process;
- assurance from its Committees as appropriate, with particular reference to the reports received from the Audit Committee and Risk & Responsibility Committee on the reviews undertaken by them at their respective meetings; and
- assurances in relation to the certifications required to be given under the Sarbanes-Oxley Act, required as a result of the Company's NYSE listing.

Internal control – information assurance

The Board considers that it is imperative to have accurate and reliable information within the Company to enable informed decisions to be taken that further the Company's objectives. This is supported by a risk based approach that deals with information assurance as a business critical function. Key elements in managing information assurance risks are education, training and awareness. These initiatives emphasise the importance of information security, the quality of data collection and the affirmation process that supports our business transactions, evidencing our decisions and actions. The Company continues to work collaboratively with a variety of organisations and professional bodies to develop and implement best practice.

Internal control over financial reporting – Sarbanes-Oxley

National Grid has carried out an assessment of its internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act and the Disclosure and Transparency Rules. The management of the Company, which is responsible under the Sarbanes-Oxley Act for establishing and maintaining an adequate system of internal control over financial reporting, evaluated the effectiveness of that system using the Committee of Sponsoring Organizations of the Treadway Commission framework. Based on that evaluation, the management of the Company expects to conclude in its Annual Report on Form 20-F filing with the US Securities and Exchange Commission that the system of internal control over financial reporting was effective as at 31 March 2010.

Risk management

Identifying, evaluating and managing risks is integral to the way we run our business. We continue to have a well established, enterprise-wide risk management process that ensures risks are consistently assessed, recorded and reported in a visible, structured and continuous manner, the outputs of which are primarily used as a management tool. An output from this process is information that provides assurance to management and thus helps safeguard our assets and reputation.

The Company has embedded risk management into its business decision-making process. Within the business, the risk management process continues to be based on both bottom-up and top-down assessments of operational, including safety, financial and other business or project risks. From the bottom up, business units and Corporate Centre functions prepare and maintain risk registers that capture their key risks and the actions being taken to manage them. Executive Directors and other senior management are closely involved at critical stages in the review process. Their review, challenge, and debate of the outputs of the bottom-up assessment against their top-down views produce an overall evaluation of the risks that are faced by National Grid. The Executive, Risk & Responsibility and Audit Committees review the risk profile and any changes, and the Audit Committee reviews the overall risk management process.

During the year, an in-house, enterprise-wide risk software system was successfully developed and implemented, thus enabling more consistent recording and reporting, and improved analyses of risk trend information across the Company. In addition, a comprehensive internal review of risk, control and assurance functions was undertaken resulting in the reorganisation of some of these activities, to further improve where possible the integration and efficiency of the Company's risk management framework.

Compliance management

Our enterprise-wide compliance management process is established and continues to raise visibility over key obligations. The process provides assurance to the Directors and senior management on the effectiveness of control frameworks to manage key internal and external obligations, and also highlights instances of significant non compliance with those obligations. External obligations are driven primarily by key legal and regulatory requirements whereas internal obligations focus more on compliance with National Grid's own corporate policies and procedures. A network of compliance coordinators and champions exists within the businesses and Corporate Centre functions to enable the top-down/bottom-up alignment of Executive Directors' obligations to be established and reported.

Furthermore, experts for each key obligation interface with relevant business contacts to ensure the quality of information reported upwards is validated. The compliance management process is consistent with, and complementary to, our risk management process and essentially provides, among other things, a more detailed breakdown of the risk of non compliance with laws, regulations or standards of service as well as corporate policies and procedures.

Twice a year, the Executive, Risk & Responsibility and Audit Committees receive a report setting out the key obligations across National Grid and any significant non compliance with those obligations, together with compliance opinions and action plans to improve controls where necessary. As with the risk management process, the Audit Committee also reviews the compliance management process at least once a year and reports on this to the Board. The compliance management process also contributes toward the entity level testing that is performed under the Sarbanes-Oxley Act, as well as some of our other internal assurance activities.

Risk factors

Our risk management process has identified the following risk factors that could have a material adverse effect on our business, financial condition, results of operations and reputation, as well as the value and liquidity of our securities. Not all of these factors are within our control. In addition, other factors besides those listed below may have an adverse effect on National Grid. Any investment decision regarding our securities and any forward-looking statements made by us should be considered in the light of these risk factors and the cautionary statement set out on the back cover.

Changes in law or regulation and decisions by governmental bodies or regulators could have a material adverse effect on our results of operations.

Many of our businesses are utilities or networks that are subject to regulation by governments and other authorities. Consequently, changes in law or regulation or regulatory policy and precedent in the countries or states in which we operate could materially adversely affect us. Decisions or rulings concerning, for example: (i) whether licences, approvals or agreements to operate or supply are granted or are renewed or whether there has been any breach of the terms of a licence, approval or regulatory requirement; (ii) timely recovery of incurred expenditure or obligations, the ability to pass through commodity costs, a decoupling of energy usage and revenue and other decisions relating to the impact of general economic conditions on us, our markets and customers, implications of climate change, remuneration for stranded assets, the level of permitted revenues and dividend distributions for our businesses and in relation to proposed business development activities; and (iii) structural changes in regulation (including as a result of Ofgem's RPI-X@20 review), could have a material adverse impact on our results of operations, cash flows, the financial condition of our businesses and the ability to develop those businesses in the future. For further information, see the Operating and Financial Review and, in particular, the external market, regulatory environment and energy policy, regulatory and other developments sections and the business description sections for each of our lines of business.

Breaches of, or changes in, environmental, climate change or health and safety laws or regulations could expose us to increased costs, claims for financial compensation and adverse regulatory consequences, as well as damaging our reputation.

Aspects of our activities are potentially dangerous, such as the operation and maintenance of electricity generation facilities and electricity lines and the transmission and distribution of gas. Electricity and gas utilities also typically use and generate in their operations hazardous and potentially hazardous products and by-products. In addition, there may be other aspects of our operations that are not currently regarded or proved to have adverse effects but could become so, such as the effects of electric and magnetic fields. We are subject to laws and regulations relating to pollution, the protection of the environment, and the use and disposal of hazardous substances and waste materials. These expose us to costs and liabilities relating to our operations and our properties whether current, including those inherited from predecessor bodies, or formerly owned by us and sites used for the disposal of our waste. The cost of future environmental remediation obligations is often inherently difficult to estimate and uncertainties can include the extent of contamination, the appropriate corrective actions and our share of the liability. We are also subject to laws and regulations in the UK and the US governing health and safety matters protecting the public and our employees. We are increasingly subject to regulation in relation to climate change. We commit significant expenditure toward complying with these laws and regulations and to meeting our obligations under negotiated settlements. If additional requirements are imposed or our ability to recover these costs under relevant regulatory frameworks changes, this could have a material adverse impact on our businesses and our results of operations and financial position. Furthermore, any breach of our regulatory or contractual obligations, or even incidents that do not amount to a breach, could materially adversely affect our results of operations and our reputation.

For further information about environmental, climate change and health and safety matters relating to our businesses, see the Our Responsibility section of our website at www.nationalgrid.com.

Network failure or interruption, the inability to carry out critical non network operations and damage to infrastructure may have significant material adverse impacts on both our financial position and reputation.

We may suffer a major network failure or interruption or may not be able to carry out critical non network operations. Operational performance could be materially adversely affected by a failure to maintain the health of the system or network, inadequate forecasting of demand or inadequate record keeping or failure of information systems and supporting technology. This could cause us to fail to meet agreed standards of service or incentive and reliability targets or be in breach of a licence, approval, regulatory requirement or contractual obligation, and even incidents that do not amount to a breach could result in adverse regulatory and financial consequences, as well as harming our reputation. In addition to these risks, we may be affected by other potential events that are largely outside our control such as the impact of weather (including as a result of climate change), unlawful or unintentional acts of third parties or force majeure. Weather conditions, including prolonged periods of adverse weather, can affect financial performance and severe weather that causes outages or damages infrastructure will materially adversely affect operational and potentially business performance and our reputation. Terrorist attack, sabotage or other intentional acts may also damage our assets or otherwise significantly affect corporate activities and as a consequence have a material adverse impact on our results of operations and financial condition.

Our results of operations depend on a number of factors relating to business performance including performance against regulatory targets and the delivery of anticipated cost and efficiency savings.

Earnings maintenance and growth from our regulated gas and electricity businesses will be affected by our ability to meet or exceed efficiency and integration targets and service quality standards set by, or agreed with, our regulators. In addition, from time to time, we publish cost and efficiency savings targets for our businesses. To meet these targets and standards, we must continue to improve operational performance, service reliability and customer service and continue to invest in the development of our information technology. If we do not meet these targets and standards, we may not achieve the expected benefits, our business may be materially adversely affected and our performance, results of operations and our reputation may be materially harmed.

Corporate Governance continued

Our reputation may be harmed if consumers of energy suffer a disruption to their supply.

Our energy delivery businesses are responsible for transporting available electricity and gas. We consult with, and provide information to, regulators, governments and industry participants about future demand and the availability of supply. However, where there is insufficient supply, our role is to manage the relevant network safely and reliably which, in extreme circumstances, may require us to disconnect consumers, which may damage our reputation.

Fluctuations in exchange rates (in particular in the dollar to sterling exchange rate), interest rates and commodity price indices and settlement of hedging arrangements could have a significant impact on our results of operations, indebtedness and cash flow.

We have significant operations in the US and we are therefore subject to the exchange rate risks normally associated with non domestic operations, including the need to translate US assets and liabilities, and income and expenses, into sterling, our primary reporting currency. In addition, our results of operations and net debt position may be affected because a significant proportion of our borrowings, derivative financial instruments and commodity contracts are affected by changes in exchange rates, interest rates and commodity price indices, in particular the dollar to sterling exchange rate. Furthermore, our cash flow may be materially affected as a result of settling hedging arrangements entered into to manage our exchange rate, commodity and interest rate exposure, or by cash collateral movements relating to derivative market values, which also depend on euro and other exchange rates.

For further information see the financial performance section of the Operating and Financial Review.

We are subject to restrictions with respect to our borrowing and debt arrangements, and our funding costs and access to financing may be adversely affected by changes to credit ratings and by prolonged periods of market volatility or illiquidity.

We are subject to certain covenants and restrictions in relation to our listed debt securities and our bank lending facilities. In addition, restrictions imposed by regulators may also limit the manner in which we service the financial requirements of our current businesses or the financing of newly acquired or developing businesses.

Our business is financed through cash generated from ongoing operations and the capital markets, particularly the long-term debt capital markets. The maturity and repayment profile of debt we use to finance investments often does not correlate to cash flows from our assets. As a result we access commercial paper and money markets and longer-term bank and capital markets as sources of finance. Some of the debt we issue is rated by credit rating agencies and changes to these ratings may affect both our borrowing capacity and the cost of those borrowings. As evidenced during recent periods, financial markets can be subject to periods of volatility and shortages of liquidity and if we were unable to access the capital markets or other sources of finance at competitive rates for a prolonged period, our cost of financing may increase, the uncommitted and discretionary elements of our proposed capital investment programme may need to be reconsidered and the manner in which we implement our strategy may need to be reassessed. The occurrence of any such events could have a material adverse impact on our business, results of operations and prospects.

Our results of operations could be affected by deflation or inflation.

Our income under our price controls in the UK is linked to the retail price index. Therefore, if the UK economy suffers from a prolonged period of deflation, our revenues may decrease, which may not be offset by reductions in operating costs. Conversely, during a period of inflation our operating costs may increase without a corresponding increase in the retail price index and therefore without a corresponding increase in UK revenues. Our income under the rate plans in the US is not typically linked to inflation. In periods of inflation in the US, our operating costs may increase by more than our revenues. In both the UK and US such increased costs may materially adversely affect our results of operations. In addition, even where increased costs are recoverable under our price controls or rate plans, in both the UK and the US there may be a delay in our ability to recover our increased costs.

Business development activity, including acquisitions and disposals, may be based on incorrect assumptions or conclusions; there may be unforeseen significant liabilities or there may be other unanticipated or unintended effects.

Business development activities, including acquisitions and disposals entail a number of risks, including an inability to identify suitable acquisition opportunities or obtain funding for such acquisitions, that such transactions may be based on incorrect assumptions or conclusions, the inability to integrate acquired businesses effectively with our existing operations, failure to realise planned levels of synergy and efficiency savings from acquisitions, unanticipated operational, financial and tax impacts (including unanticipated costs) and other unanticipated effects. We may also be liable for the past acts, omissions or liabilities of companies or businesses we have acquired, which may be unforeseen or greater than anticipated at the time of the relevant acquisition. The occurrence of any of these events could have a material adverse impact on our results of operations or financial condition, and could also impact our ability to enter into other transactions.

Future funding requirements of our pension schemes and other post-retirement benefits could materially adversely affect our results of operations.

We participate in a number of pension schemes that together cover substantially all our employees. In both the UK and the US, the principal schemes are defined benefit schemes where the scheme assets are held independently of our own financial resources. In the US, we also have other post-retirement benefit schemes. Estimates of the amount and timing of future funding for these schemes are based on various actuarial assumptions and other factors including, among other things, the actual and projected market performance of the scheme assets, future long-term bond yields, average life expectancies and relevant legal requirements. The impact of these assumptions and other factors may require us to make additional contributions to these pension schemes which, to the extent they are not recoverable under our price controls or state rate plans, could materially adversely affect our results of operations and financial condition.

New or revised accounting standards, rules and interpretations could have an adverse effect on our reported financial results. Changes in law and accounting standards could increase our effective rate of tax.

The accounting treatment under International Financial Reporting Standards (IFRS), as adopted by the European Union, of, among other things, replacement expenditure, rate regulated entities, pension and post-retirement benefits, derivative financial instruments and commodity contracts, significantly affect the way we report our financial position and results of operations. New or revised standards and interpretations may be issued, which could have a significant impact on the financial results and financial position that we report. The effective rate of tax we pay may be influenced by a number of factors including changes in law and accounting standards, the results of which could increase that rate and therefore have a material adverse impact on our results of operations.

Customers and counterparties to our transactions may fail to perform their obligations, which could harm our results of operations.

Our operations are exposed to the risk that customers and counterparties to our transactions that owe us money or commodities will not perform their obligations, which could materially adversely affect our financial position. This risk is most significant where our subsidiaries have concentrations of receivables from gas and electricity utilities and their affiliates, as well as industrial customers and other purchasers and may also arise where customers are unable to pay us as a result of increasing commodity prices or adverse economic conditions.

Our operating results may fluctuate on a seasonal and quarterly basis.

Our electricity and gas businesses are seasonal businesses and are subject to weather conditions. In particular, revenues from our gas distribution networks in the US are weighted towards the end of our financial year, when demand for gas increases due to colder weather conditions. As a result, we are subject to seasonal variations in working capital because we purchase gas supplies for storage in the first and second quarters of our financial year and must finance these purchases. Accordingly, our results of operations for this business fluctuate substantially on a seasonal basis. In addition, portions of our electricity businesses are seasonal and subject to weather and weather-related market conditions. Sales of electricity to customers are influenced by temperature changes. Significant changes in heating or cooling requirements, for example, could have a substantial effect. As a result, fluctuations in weather and competitive supply between years may have a significant effect on our results of operations for both gas and electricity businesses.

The loss of key personnel or the inability to attract, train or retain qualified personnel could affect our ability to implement our strategy and have a material adverse effect on our business, financial condition, results of operations and prospects.

Our ability to implement our long-term business strategy depends on the capabilities and performance of our personnel. Loss of key personnel or an inability to attract, train or retain appropriately qualified personnel (in particular for technical positions where availability of appropriately qualified personnel may be limited) could affect our ability to implement our long-term business strategy and may have a material adverse effect on our business, financial condition, results of operations and prospects.

National Grid plc is a holding company and therefore depends on the operational and financial performance of its subsidiaries.

National Grid plc is a holding company and, as such, has no revenue generating operations of its own. As a result, National Grid plc depends on (i) the earnings and cash flows of its operating subsidiaries, (ii) the ability of its subsidiaries to pay dividends (which may be restricted due to legal or regulatory constraints or otherwise), (iii) subsidiaries repaying funds due to it and (iv) the maintenance by its subsidiaries of certain minimum credit ratings (which also depend on the credit rating of National Grid plc). If National Grid plc's subsidiaries are unable to achieve any of the foregoing, National Grid plc may be unable to pay dividends and there may be a material adverse impact on its operations, costs associated with financing or its ability to access the capital markets or other forms of bank financing at competitive rates.

On behalf of the Board

Helen Mahy
Company Secretary & General Counsel
19 May 2010

National Grid plc, 1-3 Strand, London WC2N 5EH
Registered in England and Wales No. 4031152

Directors' Report

In accordance with the requirements of the Companies Act 2006 and UK Listing Authority's Listing, Disclosure and Transparency Rules, the following sections describe the matters that are required for inclusion in the Directors' Report and were approved by the Board. Further details of matters required to be included in the Directors' Report that are incorporated by reference into this report are set out below.

Directors

The biographies of the persons serving as Directors as at the date of this report are set out on pages 12 and 13. The names of all persons serving as Directors during the financial year are included on page 85. The Directors' interests in shares and in options to receive shares, and any changes that have occurred since 31 March 2010, are set out in the Directors' Remuneration Report on pages 98 to 108. Directors' and Officers' liability insurance cover is arranged and qualifying third party indemnities are in place for each Director.

Code of Ethics

In accordance with US legal requirements, the Board has adopted a Code of Ethics for senior financial professionals. This code is available on our website at www.nationalgrid.com (where any amendments or waivers will also be posted). There were no amendments to, or waivers of, our Code of Ethics during the year.

Principal activities and business review

A full description of the Company's principal activities, business and principal risks and uncertainties is contained in the Operating and Financial Review, on pages 14 to 83, and the Corporate Governance section, on pages 84 to 95, which are incorporated by reference into this report.

Dividends

The Directors are recommending a final dividend of 24.84 pence per ordinary share ($1.7737 per American Depositary Share) to be paid on 18 August 2010 to shareholders on the Register at 4 June 2010. A scrip dividend will also be offered. Further details in respect of dividend payments can be found on page 38.

Political donations and expenditure

National Grid made no political donations in the UK or European Union during the year (including donations as defined for the purposes of the Political Parties, Elections and Referendums Act 2000). National Grid USA and certain of its subsidiaries made political donations in the US of $177,000 (£112,000) during the year to affiliated New York and New Hampshire state political action committees (PACs). National Grid USA's affiliated New York PACs were funded partly by contributions from National Grid USA and certain of its subsidiaries and partly by employee contributions. National Grid USA's affiliated New Hampshire PAC was funded wholly by contributions from National Grid USA and certain of its subsidiaries. National Grid USA's affiliated federal PACs were funded wholly by voluntary employee contributions.

Charitable donations

During 2009/10 approximately £11 million (2008/09: £10 million) was invested in support of community initiatives and relationships. The London Benchmarking Group model was used to assess this overall community investment. Direct donations to charitable organisations amounted to £1.1 million (2008/09: £1.4 million). In addition to our charitable donations, financial support was provided for our affordable warmth programme, education programme, university research and our Young Offenders Programme.

Financial instruments

Details on the use of financial instruments and financial risk management are included on pages 76 to 80 and on page 82 in the Operating and Financial Review.

Contractual arrangements

Details concerning our rate plans and price controls, which we consider to be our primary contractual arrangements, can be found in the Operating and Financial Review under Regulatory environment and Energy policy, regulatory and other developments on pages 18 to 21.

Post balance sheet events

On 19 May 2010, the Board resolved to offer a fully underwritten rights issue to shareholders to raise up to £3.2 billlion net of expenses through the issue of up to 990,439,017 new ordinary shares of $11\frac{17}{43}$ pence nominal value each. The rights issue will be offered on the basis of 2 new shares at 335 pence per new share for every 5 existing shares. The new shares (representing approximately 40% of the existing issued share capital excluding treasury shares and 28.6% of the enlarged issued share capital excluding treasury shares immediately following completion of the rights issue) when fully paid will rank pari passu in all respects with the existing shares, except that they will have no right to participate in the final dividend of 24.84 pence per ordinary share recommended to be paid in respect of the year ended 31 March 2010.

Change of control provisions

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

As at 31 March 2010, the Company had undrawn borrowing facilities with a number of its banks of £1.9 billion and a further £1.7 billion of drawn bank loans which, on a change of control of the Company following a takeover bid, may alter or terminate. All of the Company's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

No other agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid are considered to be significant in terms of their potential impact on the business as a whole.

Future developments

Details of future developments are contained in the Operating and Financial Review.

Research and development

Expenditure on research and development during the year was £19 million (2008/09: £10 million). This included for example, development of new materials for use in the electricity transmission business and research into low carbon energy such as carbon capture and storage.

Share capital

The share capital of the Company consists of ordinary shares of $11\frac{17}{43}$ pence nominal value each and American Depositary Shares (ADS) only. The ordinary shares and ADSs allow holders to receive dividends and vote at general meetings of the Company. Shares held in treasury are not entitled to vote or receive dividends. There are no restrictions on the transfer or sale of ordinary shares.

Some of the Company's employee share plans, details of which are contained in the Directors' Remuneration Report, include restrictions on transfer of shares while the shares are subject to the plan.

Where, under an employee share plan operated by the Company, participants are the beneficial owners of the shares but not the registered owner, the voting rights may be exercised by the registered owner at the direction of the participant.

At the Company's 2009 Annual General Meeting (AGM) shareholder authority was given to purchase up to 10% of the Company's ordinary shares. The Directors intend to seek shareholder approval to renew this authority at this year's AGM. No shares were repurchased during the year. Of the shares repurchased in prior years and held in treasury, 12,044,072 have been transferred to employees under the employee share plans and as at the date of this report, 141,092,553 were held in treasury.

Following shareholder approval at the 2009 AGM, a Scrip Dividend Scheme was offered to ordinary shareholders enabling new shares to be acquired without dealing costs or stamp duty reserve tax being payable. The scrip dividend is also available to ADS holders.

Shareholders also approved the authority for the Directors to allot relevant securities up to approximately ⅓ of the issued share capital and a further ⅓ in connection with an offer by way of a rights issue. The Directors intend to seek shareholder approval to renew this authority at this year's AGM, details of which are contained in the Notice of AGM.

Employees

The Company employs over 28,000 people. Communication is a key theme both at a corporate and business level. Multiple communication channels are used throughout National Grid, including the use of various business specific intranets, which the Company continues to develop to ensure the timely cascade of information to employees.

Feedback has been provided by employees in confidence via an annual Company wide employee survey. Over 97% of employees took part in the latest survey, an increase from the previous year. Action plans will be developed by each of the businesses to address their key priorities for improvement.

National Grid's inclusion and diversity vision is to develop and operate its business in a way that results in a more inclusive and diverse culture. This supports the attraction and retention of the best people, improves effectiveness, delivers superior performance and enhances the success of the Company. Employees are provided with the opportunity to develop to their full potential regardless of race, gender, nationality, age, disability, sexual orientation, gender identity, religion and background. Further information on employees is available in our Corporate Responsibility Report which is available on our website www.nationalgrid.com. Employee share schemes are available to encourage alignment of employee and shareholder interests.

Policy and practice on payment of creditors

It is National Grid's policy to include in contracts, or other agreements, terms of payment with suppliers. Once agreed, National Grid aims to abide by these payment terms. The average creditor payment period at 31 March 2010 for National Grid's principal operations in the UK was 14 days (13 days at 31 March 2009).

Audit information

Having made the requisite enquiries, so far as the Directors in office at the date of the signing of this report are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Articles of Association

The Articles of Association set out the internal regulation of the Company and cover such matters as the rights of shareholders, the appointment or removal of Directors and the conduct of the Board and general meetings. Copies are available upon request and are displayed on the National Grid website at www.nationalgrid.com. In accordance with the Articles of Association, Directors can be appointed or removed by the Board or shareholders in general meeting. Amendments to the Articles of Association have to be approved by at least 75% of those voting in person or by proxy at a general meeting of the Company. Subject to company law and the Articles of Association, the Directors may exercise all the powers of the Company, and may delegate authorities to Committees and day-to-day management and decision making to individual Executive Directors. Details of the main Board Committees can be found on pages 87 to 91.

Material interests in shares

As at the date of this report, National Grid had been notified of the following holdings in voting rights of 3% or more in the issued share capital of the Company:

	% of voting rights
Black Rock Inc	4.99
Legal and General Group plc	4.35
Crescent Holding GmbH	4.34
Capital Group Companies, Inc	3.75
FMR Corp	3.06

No further notifications have been received.

Annual General Meeting

National Grid's 2010 AGM will be held on Monday 26 July 2010 at The International Convention Centre in Birmingham. Details are set out in the Notice of AGM.

On behalf of the Board

Helen Mahy
Company Secretary & General Counsel
19 May 2010

National Grid plc, 1-3 Strand, London WC2N 5EH
Registered in England and Wales No. 4031152

Directors' Remuneration Report

I am pleased to present the Directors' Remuneration Report for 2009/10. Our policy of relating pay to the performance of the Company continues to be a strong principle underlying the Remuneration Committee's consideration of executive remuneration. We aim to ensure the Company continues to attract, motivate and retain high calibre individuals to deliver the highest possible performance for our shareholders.

In recognition of the external economic market conditions, the Executive Directors decided voluntarily to forego salary increases in 2009. National Grid's performance has been strong over the last year and therefore Annual Performance Plan awards to the Executive Directors and their teams reflect this strong performance. Half of the award earned by Executive Directors is automatically deferred into National Grid shares for three years. Details of the Annual Performance Plan and Deferred Share Plan can be found in the relevant section of this report.

During the year, the Remuneration Committee has reviewed the performance conditions and the performance required for the Performance Share Plan and believes they remain appropriate and stretching. One important change has been made to our remuneration policy this year, that of increasing our share ownership guidelines, details of which are contained later in this report.

We firmly believe our remuneration package continues to provide an appropriate and balanced opportunity for executives and their senior teams. Our incentive plans remain aligned with the Company's strategic objectives and our shareholders' interests, while continuing to motivate and engage the team leading the Company to achieve stretching targets.

We believe salary levels and the mix between fixed and variable compensation continue to be appropriate. However, we will continue to review the remuneration package on a regular basis to ensure it remains so.

John Allan

Chairman of the Remuneration Committee

Remuneration Committee

The Remuneration Committee members are John Allan, Ken Harvey, Stephen Pettit and George Rose. Each of these Non-executive Directors is regarded by the Board as independent and served throughout the year.

The Global Human Resources Director and Global Head of Compensation & Benefits provide advice on remuneration policies and practices and are usually invited to attend meetings, along with the Chairman and the Chief Executive.

No Director or other attendee is present during any discussion regarding his or her own remuneration.

The Remuneration Committee is responsible for developing Company policy regarding executive remuneration and for determining the remuneration of the Executive Directors and executives below Board level who report directly to the Chief Executive. It also has oversight of the remuneration policies for other employees of the Company and provides direction over the Company's employee share plans.

The Board has accepted all the recommendations made by the Remuneration Committee during the year.

The Remuneration Committee has authority to obtain the advice of external independent remuneration consultants. It is solely responsible for their appointment, retention and termination; and for approval of the basis of their fees and other terms.

In the year to 31 March 2010, the following advisors provided services to the Remuneration Committee:

- Towers Watson (formerly Towers Perrin), independent remuneration advisors (mid-November 2009 onwards). It also provides general remuneration and benefits advice to the Company. Prior to that, Deloitte LLP, independent remuneration advisors (April 2009 until mid-November 2009), who also provide taxation and financial advice to the Company;
- Alithos Limited, provision of Total Shareholder Return calculations for the Performance Share Plan and Executive Share Option Plan;
- Linklaters LLP, advice relating to Directors' service contracts as well as providing other legal advice to the Company; and
- KPMG LLP, advice relating to pension taxation legislation.

Remuneration policy

The Remuneration Committee determines remuneration policy and practices with the aim of attracting, motivating and retaining high calibre Executive Directors and other senior employees to deliver value for shareholders and high levels of customer service, safety and reliability in an efficient and responsible manner. The Remuneration Committee sets remuneration policies and practices in line with best practice in the markets in which the Company operates. Remuneration policies continue to be framed around the following key principles:

- total rewards should be set at levels that are competitive in the relevant market. For UK-based Executive Directors, the primary focus is placed on companies ranked (in terms of market capitalisation) 11-40 in the FTSE 100. This peer group is therefore weighted towards companies smaller than National Grid and positioning the package slightly below median against this group is considered to be appropriate for a large, international but predominately regulated business. For US-based Executive Directors, the primary focus is placed on US utility companies;
- a significant proportion of the Executive Directors' total reward should be performance based. Performance based incentives will be earned through the achievement of demanding targets for short-term business and individual performance as well as long-term shareholder value creation, consistent with our Framework for Responsible Business which can be found at: www.nationalgrid.com/corporate/About+Us/CorporateGovernance/Other;
- for higher levels of performance, rewards should be substantial but not excessive;
- incentive plans, performance measures and targets should be stretching and aligned as closely as possible with shareholders' long-term interests; and
- remuneration structures should motivate employees to enhance the Company's performance without encouraging them to take undue risks, whether financial or operational.

It is currently intended to continue this policy in subsequent years.

To ensure salary and employment benefits across the Company are taken into consideration when decisions regarding Executive Directors' remuneration are made, the Remuneration Committee is briefed on any key changes impacting employees; and depending on the scope of that change its approval is sought.

Executive Directors' remuneration

Remuneration packages for Executive Directors consist of the following elements:

- salary;
- Annual Performance Plan including the Deferred Share Plan;
- long-term incentive, the Performance Share Plan;
- all-employee share plans;
- pension contributions; and
- non-cash benefits.

Salary

Salaries are reviewed annually and targeted broadly at the median position against the relevant market. In determining the relevant market, the Remuneration Committee takes account of the regulated nature of the majority of the Company's operating activities along with the size, complexity and international scope of the business. For UK-based and US-based Executive Directors, UK and US markets are used respectively. In setting individual salary levels, the Remuneration Committee takes into account business performance, the individual's performance and experience in the role together with salary practices prevailing for other employees in the Company to ensure any increases are broadly in line with those for employees generally in the Company. In 2009, the Executive Directors decided voluntarily to forego salary increases.

Annual Performance Plan including the Deferred Share Plan (DSP)

The Annual Performance Plan is based on the achievement of a combination of demanding Company, individual and, where applicable, divisional targets. The plan is cascaded through the management population, which provides a line of sight for employees to connect day to day activities with National Grid's vision, strategy and key financial and service provision metrics. The principal measures of Company performance in 2009/10 were adjusted earnings per share (EPS), see page 40 for further details; consolidated cash flow and return on equity. The main divisional measures were operating profit and line of business returns targets, with some employees having slightly different targets dependent upon their role and area of the business.

Financial targets for Executive Directors represent 70% of the plan. Individual targets, representing 30% of the plan, are set in relation to key operating and strategic objectives. These include, for example, stretch goals in regulatory management, business development activities, customer satisfaction improvement programmes and carbon efficiency targets. The split between financial targets and individual objectives changes at different levels of seniority in the Company to reflect line of sight and the impact of those different levels of seniority on the Company's performance.

The Remuneration Committee sets financial targets at the start of the year, including Executive Directors' individual objectives. It reviews performance against those targets and individual objectives at year end. When setting financial targets and individual objectives; and when reviewing performance against them, the Remuneration Committee takes into account the long-term impact and any risks that could be associated with those targets and objectives. In addition, the chairmen of the Audit and Risk & Responsibility Committees are both members of the Remuneration Committee and therefore are able to provide input from those Committees' reviews of the Company's performance.

The Remuneration Committee may use its discretion to reduce payments to take account of significant safety or service standard incidents; or to increase them in the event of exceptional value creation. The Remuneration Committee also has discretion to consider environmental, social and governance issues when determining payments to Executive Directors. Those principles may then be cascaded down the organisation to appropriate employee groups based on the specific circumstances.

In addition, the Remuneration Committee retains the right, in exceptional circumstances, to reclaim any monies based on financial misstatement and/or the misconduct of an individual through means deemed appropriate to those specific circumstances.

Performance against Company and divisional financial targets for this year is shown in the following table:

	Level of performance achieved in 2009/10 as determined by the Remuneration Committee	
Financial measures	Company targets	Divisional targets
Adjusted EPS	stretch	
Consolidated cash flow	stretch	
Return on equity	stretch	
Operating profit		varied performance (i), (ii), (iii)
Line of business returns targets		varied performance (iv), (v), (vi)

(i) Transmission at stretch.
(ii) Gas Distribution between target and stretch.
(iii) Electricity Distribution & Generation between target and stretch.
(iv) Transmission at stretch (UK), at target (US).
(v) Gas Distribution between target and stretch (UK), at threshold (US)
(vi) Electricity Distribution & Generation between target and stretch (US only).

In 2009/10, the maximum opportunity under the Annual Performance Plan for Executive Directors was 150% of base salary, with 40% of the plan (60% of salary) being paid for target performance. One half of any award earned is automatically deferred into National Grid shares (ADSs for US-based Executive Directors) through the DSP. The shares are held in trust for three years before release. The Remuneration Committee may, at the time of release of the shares, use its discretion to pay a cash amount equivalent to the value of the dividends that would have accumulated on the deferred shares. The deferred shares may be forfeited if the Executive Director ceases employment during the three year holding period as a 'bad leaver', for example, resignation. We believe the forfeiture provision serves as a strong retention tool.

The Remuneration Committee believes that requiring Executive Directors to invest a substantial amount of their Annual Performance Plan award in National Grid shares increases the proportion of rewards linked to both short-term performance and longer-term Total Shareholder Returns (TSR). This practice also ensures that Executive Directors share a significant level of risk with the Company's shareholders. Awards for UK-based Executive Directors are not pensionable but, in line with current US market practice, US-based Executive Directors' awards are pensionable.

Directors' Remuneration Report continued

Long-term incentive – Performance Share Plan (PSP)

Executive Directors and approximately 400 other senior employees who have significant influence over the Company's ability to meet its strategic objectives, may receive an award which will vest subject to the achievement of performance conditions set by the Remuneration Committee at the date of grant. The value of shares (ADSs for US-based Executive Directors and relevant employees) constituting an award (as a percentage of salary) varies by grade and seniority subject to a maximum, for Executive Directors, of 200% of salary. Typically awards of 200% of salary have been awarded to Executive Directors. The provisions in the PSP rules allow awards up to a maximum value of 250% of salary, in order to provide a degree of flexibility for the future.

Shares vest after three years, conditional upon the satisfaction of the relevant performance criteria. Vested shares must then be held for a further period (the retention period) after which they are released to the participant on the fourth anniversary of the date of grant. During the retention period, the Remuneration Committee has discretion to pay an amount, in cash or shares, equivalent to the dividend which would have been paid on the vested shares.

Under the terms of the PSP, the Remuneration Committee may allow shares to vest early to departing participants, including Executive Directors, to the extent the performance conditions have been met, in which event the number of shares that vest will be pro rated to reflect the proportion of the performance period that has elapsed at the date of departure.

Awards from 2005 onwards vest based on the Company's TSR performance when compared to the FTSE 100 at the date of grant (50% of the award) and the annualised growth of the Company's EPS (50% of the award). The Remuneration Committee continues to believe this approach is appropriate.

These measures are used because the Remuneration Committee continues to believe they offer a balance between meeting the needs of shareholders (by measuring TSR performance against other large UK companies) and providing a measure of performance (EPS growth) over which the Executive Directors have direct influence. The Remuneration Committee considers the PSP performance conditions to be stretching.

In calculating TSR it is assumed that all dividends are reinvested. No shares will be released under the TSR part of the award if the Company's TSR over the three year performance period, when ranked against that of the FTSE 100 comparator group, falls below the median. For TSR at the median, 30% of those shares will be released, 100% will be released where National Grid's TSR performance on an annualised compound basis is 7.5% above that of the median company in the FTSE 100 (upper target).

The EPS measure is calculated by reference to National Grid's real EPS growth, see page 40 for further details. Where annualised growth in adjusted EPS (on a continuing basis and excluding exceptional items, remeasurements and stranded costs) over the three year performance period exceeds the average annual increase in RPI (the general index of retail prices for all items) over the same period by 3% (threshold performance), 30% of the shares under the EPS part of the award will be released. All the shares will be released where EPS growth exceeds RPI growth by 8% (upper target).

For performance, under each measure, between threshold and the upper target, the number of shares released is pro rated on a straight-line basis.

If the Remuneration Committee considers, in its absolute discretion, the underlying financial performance of the Company does not justify the vesting of awards, even if either or both the TSR measure and the EPS measure are satisfied in whole or in part, it can declare that some or all of the award lapses.

No re-testing of performance is permitted for any of the PSP awards that do not vest after the three year performance period and any such awards lapse.

Vested 2006 PSP award

The upper targets for both the EPS and TSR performance criteria were reached for the 2006 award, which has resulted in 100% vesting. The shares then entered the retention period. The Remuneration Committee agreed to pay a cash amount equivalent in value to the net dividends (after taxes, commissions and any other charges) that would be paid during the retention period in respect of the shares comprised in the vested award. These payments were made in August 2009 and February 2010, to align broadly with dividend payments to our shareholders.

Recruitment promise – Special Retention Award (SRA)

As part of a contractual commitment made at the time of Tom King's recruitment, Tom received a Special Retention Award in November 2007. This one-off award of National Grid ADSs vests in equal tranches, over three years, on the anniversary of the award (November 2008 through to November 2010) subject to his continued employment. There are no performance conditions attached to this award. Details of the vested ADSs representing the tranches released of this award can be found on page 107.

Share ownership guidelines

Share ownership guidelines have been increased this year. The Chief Executive is now required to build up and retain a shareholding representing at least 200% of annual salary (previously 100%). For other Executive Directors, the requirement is 125% of salary (previously 100%). This will be achieved by retaining at least 50% of the after-tax gain on any options exercised or shares received through the long-term incentive or all-employee share plans and will include any shares held beneficially.

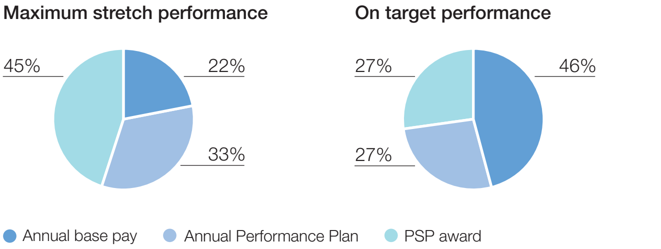
Share dilution through the operation of share-based incentive plans

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 ten year period. Dilution resulting from all incentives, including all-employee incentives, will not exceed 10% in any ten year period. The Remuneration Committee reviews dilution against these limits regularly and under these limits, the Company currently has headroom of 3.71% and 5.36% respectively.

Executive Directors' remuneration package

Illustrated below is the current remuneration package for Executive Directors (excluding pensions, all-employee share plans and non-cash benefits) for both 'maximum stretch' performance and assuming 'on target' performance based on 40% (60% of salary) for the Annual Performance Plan; and TSR and EPS performance such that 30% (60% of salary) of PSP awards are released to participants at the end of the performance period and subsequent retention period. All Executive Directors have the same proportion of fixed and variable remuneration in this respect.

Executive Directors' remuneration package
2009/10 UK & US



Note: Excludes Tom King's Special Retention Award

All-employee share plans

- Sharesave: Employees resident in the UK, including UK-based Executive Directors, are eligible to participate in HM Revenue & Customs approved all-employee Sharesave schemes. Under these schemes, participants may contribute between £5 and £250 in total each month, for a fixed period of three years, five years or both. Contributions are taken from net salary. At the end of the savings period, these contributions can be used to purchase ordinary shares in National Grid at a discount capped at 20% of the market price set at the launch of each scheme.
- Share Incentive Plan (SIP): Employees resident in the UK, including UK-based Executive Directors, are eligible to participate in the SIP. Contributions up to £125 are deducted from participants' gross salary and used to purchase ordinary shares in National Grid each month. The shares are placed in trust and if they are left in trust for at least five years, they can be removed free of UK income tax and National Insurance Contributions.
- US Incentive Thrift Plans: Employees of National Grid's US companies (including US-based Executive Directors) are eligible to participate in the Thrift Plans, which are tax-advantaged savings plans (commonly referred to as 401(k) plans). These are defined contribution pension plans that give participants the opportunity to invest up to applicable Federal salary limits ie a maximum of 50% of salary (pre-tax) limited to US$16,500 for those under the age of 50 and US$22,000 for those over 50 for calendar years 2009 and 2010; and/or up to 15% of salary (post-tax) up to applicable limits (US$245,000 for calendar years 2009 and 2010). Generally, the Company matches 100% of the first 2% and 75% of the next 4% of salary contributed, resulting in a maximum matching contribution of 5% of salary up to the Federal salary cap. For employees in legacy KeySpan plans, the Company matches 50% of employees' contributions up to a maximum Company contribution of 3%. Employees may invest their own and Company contributions in National Grid shares or various mutual fund options. Legacy KeySpan employees who invest in National Grid shares do so with a 10% discount.
- Employee Stock Purchase Plan (ESPP): Employees of National Grid's US companies (including US-based Executive Directors) are eligible to participate in the ESPP (commonly referred to as a 423b plan). Eligible employees have the opportunity to purchase ADSs on a monthly basis at a 10% discounted price. Under the plan employees may contribute up to 20% of base pay each year up to a maximum annual contribution of US$20,000 to purchase ADSs in National Grid. Any ADSs purchased through the ESPP may be sold at any time, however, there are tax advantages for ADSs held for at least two years from the offer date.

Pensions

Current UK-based Executive Directors are provided with final salary pension benefits. The pension provisions for the UK-based Executive Directors are designed to provide a pension of one thirtieth of final salary at age 60 for each year of service subject to a maximum of two thirds of final salary, including any pension rights earned in previous employment. Within the pension schemes, the pensionable salary is normally the base salary in the twelve months prior to leaving the Company. From December 2009, Flexible Pension Savings (FPS), a salary sacrifice arrangement was introduced for all members of the defined benefit pension schemes. All UK-based Executive Directors have chosen to participate in FPS. Life assurance provision of four times pensionable salary and a spouse's pension equal to two thirds of the Executive Director's pension are provided on death.

UK-based Executive Directors have elected to participate in the unfunded scheme in respect of any benefits in excess of the Lifetime Allowance or their Personal Lifetime Allowance. An appropriate provision in respect of the unfunded scheme has been made in the Company's balance sheet. Alternatively, these Executive Directors are able to cease accrual in the pension schemes and take a 30% cash allowance in lieu of pension if they so wish. These choices are in line with those offered to current senior employees in the Company, except the cash allowance varies depending upon organisational grade.

US-based Executive Directors participate in a qualified pension plan and an executive supplemental retirement plan provided by National Grid's US companies. These plans are non-contributory defined benefit arrangements. The qualified plan is directly funded, while the executive supplemental retirement plan is indirectly funded through a 'rabbi trust'. Benefits are calculated using a formula based on years of service and highest average compensation over five or three consecutive years. In line with many US plans, the calculation of benefits under the arrangements takes into account salary, Annual Performance Plan awards and incentive share awards (DSP) but not share options or PSP awards. The normal retirement age under the qualified pension plan is 65. The executive supplemental retirement plan provides unreduced pension benefits from age 55. On the death of the Executive Director, the plans also provide for a spouse's pension of at least 50% of that accrued by the Executive Director. Benefits under these arrangements do not increase once in payment.

Non-cash benefits

The Company provides competitive benefits to Executive Directors, such as a fully expensed car or a cash alternative in lieu of car, use of a driver when required, private medical insurance and life assurance. Business expenses incurred are reimbursed in such a way as to give rise to no benefit to the Executive Director.

Flexible benefits plan

Additional benefits may be purchased under the flexible benefits plan (the Plan), in which UK-based Executive Directors, along with most other UK employees, have been given the opportunity to participate. The Plan operates by way of salary sacrifice, that is, the participants' salaries are reduced by the monetary value used to purchase benefits under the Plan. Many of the benefits are linked to purchasing additional healthcare and insurance products for employees and their families. A number of the Executive Directors participate in this Plan and details of the impact on their salaries are shown in Table 1A on page 103.

Directors' Remuneration Report continued

Similar plans are offered to US-based employees. However, they are not salary sacrifice plans and therefore do not affect salary values. Tom King was a participant in such a plan during the year.

Executive Directors' service contracts, termination and mitigation

In its consideration of these matters, the Remuneration Committee takes into account the Companies Act 2006, the UK Listing Authority's Listing Rules, the Combined Code on Corporate Governance, as revised in 2008; and other requirements of legislation, regulation and good governance. Service contracts for all Executive Directors provide for one year's notice by either party.

In the event of early termination by the Company of an Executive Director's employment, contractual base salary reflecting the notice period would normally be payable. The Remuneration Committee operates a policy of mitigation in these circumstances with any payments being made on a monthly basis. The departing Executive Director would generally be expected to mitigate any losses where employment is taken up during the notice period, however, this policy remains subject to the Remuneration Committee's discretion, based on the circumstances of the termination.

	Date of contract	Notice period
Executive Directors		
Steve Holliday	1 April 2006	12 months
Steve Lucas	13 June 2002	12 months
Nick Winser	28 April 2003	12 months
Mark Fairbairn	23 January 2007	12 months
Tom King	11 July 2007	12 months

External appointments and retention of fees

With the approval of the Board in each case, Executive Directors may normally accept an external appointment as a non-executive director of another company and retain any fees received for this appointment. The table below details the Executive Directors who served as non-executive directors in other companies during the year ended 31 March 2010.

	Company	Retained fees (£)
Executive Directors		
Steve Holliday	Marks and Spencer Group plc	79,000
Steve Lucas	Compass Group PLC	90,000
Nick Winser	Kier Group plc	41,000

Non-executive Directors' remuneration

Non-executive Directors' fees are determined by the Executive Directors subject to the limits applied by National Grid's Articles of Association. Non-executive Directors' remuneration comprises an annual fee (£45,000) and a fee for each Board meeting attended (£1,500) with a higher fee for meetings held outside the Non-executive Director's country of residence (£4,000). An additional fee of £12,500 is payable for chairmanship of a board committee and for holding the position of Senior Independent Director. The Audit Committee chairman receives a chairmanship fee of £15,000 to recognise the additional responsibilities commensurate with this role. The Chairman is covered by the Company's personal accident and private medical insurance schemes and the Company provides him with life assurance cover, a car (with driver when appropriate) and fuel expenses.

Non-executive Directors do not participate in the Annual Performance Plan or the long-term incentive plan, nor do they receive any pension benefits from the Company.

Non-executive Directors' letters of appointment

The Chairman's letter of appointment provides for a period of six months' notice by either party to give the Company reasonable security with regard to his service. The terms of engagement of Non-executive Directors other than the Chairman are also set out in letters of appointment. For all Non-executive Directors, their initial appointment and any subsequent reappointment is subject to election by shareholders. The letters of appointment do not contain provision for termination payments.

	Date of appointment	Date of next election (i)
Non-executive Directors		
Sir John Parker	21 October 2002	2010 AGM
Ken Harvey	21 October 2002	2010 AGM
Linda Adamany	1 November 2006	2010 AGM
Philip Aiken	15 May 2008	2010 AGM
John Allan	1 May 2005	2010 AGM
Stephen Pettit	21 October 2002	2010 AGM
Maria Richter	1 October 2003	2010 AGM
George Rose	21 October 2002	2010 AGM
Bob Catell (ii)	1 April 2009	n/a

(i) The Board has decided that all Directors will seek re-election annually.

(ii) Bob Catell retired as a Non-executive Director on 27 July 2009.

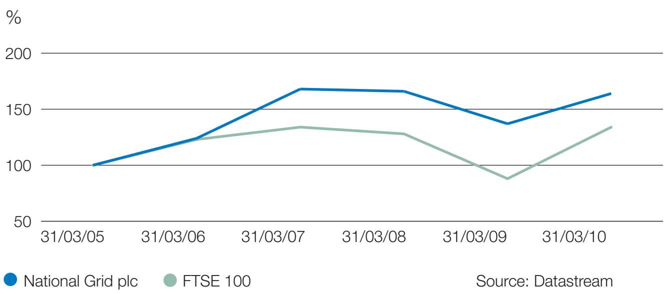
Performance graph

The graph below represents the comparative TSR performance of the Company from 31 March 2005 to 31 March 2010.

This graph represents the Company's performance against the performance of the FTSE 100 index, which is considered suitable for this purpose as it is a broad equity market index of which National Grid is a constituent. This graph has been produced in accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

In drawing this graph it has been assumed that all dividends have been reinvested. 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.

National Grid plc
TSR v FTSE 100



Source: Datastream

Remuneration during the year ended 31 March 2010

Sections 1, 2, 3, 4 and 6 comprise the 'auditable' part of the Directors' Remuneration Report, being the information required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

1. Directors' emoluments

The following tables set out the pre-tax emoluments for the years ended 31 March 2010 and 2009, including Annual Performance Plan awards but excluding pensions, for individual Directors who held office in National Grid during the year ended 31 March 2010.

Table 1A	Year ended 31 March 2010						Year ended 31 March 2009
	Salary (i) £000s	Annual Performance Plan £000s	Benefits in kind (ii) (cash) £000s	Benefits in kind (ii) (non-cash) £000s	Other emoluments £000s	Total £000s	Total £000s
Executive Directors							
Steve Holliday	925	1,323	12	13	–	2,273	2,206
Steve Lucas (iii)	521	730	–	19	–	1,270	1,259
Nick Winser	462	652	–	15	–	1,129	1,096
Mark Fairbairn (iii)	461	527	–	14	–	1,002	1,089
Tom King (iv)	665	898	5	14	–	1,582	1,396
Total	**3,034**	**4,130**	**17**	**75**	**–**	**7,256**	**7,046**

(i) The Executive Directors decided voluntarily to forego salary increases in 2009. It is anticipated their salaries will next be reviewed in June 2010.

(ii) Benefits in kind comprise benefits such as private medical insurance, life assurance, either a fully expensed car or cash in lieu of a car and the use of a driver when required.

(iii) These Executive Directors participate in the UK flexible benefits plan which operates by way of salary sacrifice, therefore, their salaries are reduced by the benefits they have purchased. The value of these benefits is included in the Benefits in kind (non-cash) figure. The values are: Steve Lucas £3,688 and Mark Fairbairn £801.

(iv) For US-based Executive Directors, the exchange rate averaged over the year 1 April 2009 to 31 March 2010 to convert US dollars to UK pounds sterling is $1.579:£1.

Table 1B	Year ended 31 March 2010			Year ended 31 March 2009
	Fees £000s	Other emoluments £000s	Total £000s	Total £000s
Non-executive Directors				
Sir John Parker (i)	550	65	615	604
Ken Harvey	80	–	80	83
Linda Adamany	78	–	78	75
Philip Aiken	68	–	68	59
John Allan	82	–	82	76
Stephen Pettit	82	–	82	84
Maria Richter	94	–	94	92
George Rose	81	–	81	84
Bob Catell (ii)	22	–	22	n/a
Total	**1,137**	**65**	**1,202**	**1,157**

(i) Sir John Parker's other emoluments comprise a fully expensed car, private medical insurance and life assurance.

(ii) Bob Catell was a Non-executive Director for the period 1 April 2009 to 27 July 2009, after having retired from the Board as an Executive Director on 31 March 2009.

Directors' Remuneration Report continued

2. Directors' pensions

The table below provides details of the Executive Directors' pension benefits.

Table 2	Personal contributions made to the scheme during the year (i) £000s	Additional benefit earned during year ended 31 March 2010 pension £000s	Accrued entitlement as at 31 March 2010 pension £000s	Transfer value of accrued benefits as at 31 March (ii) 2010 £000s	2009 £000s	Increase in transfer value less Director's contributions £000s	Additional benefit earned in the year ended 31 March 2010 (excluding inflation) pension £000s	Transfer value of increase in accrued benefit in the year ended 31 March 2010 (excluding inflation & Director's contributions) £000s
Steve Holliday (iii)	12	33	314	5,995	4,740	1,243	33	610
Steve Lucas	21	19	269	6,006	4,877	1,108	19	408
Nick Winser (iv)	19	11	196	3,379	2,802	559	11	158
Mark Fairbairn (v)	19	13	199	3,714	3,084	612	13	201
Tom King (vi)	–	50	169	832	442	390	50	246

(i) The UK-based Executive Directors participate in FPS, a salary sacrifice arrangement, the effects of which have not been taken into account when reporting their personal contributions above.

(ii) The transfer values shown at 31 March 2009 and 2010 represent the value of each Executive Director's accrued benefits based on total service to the relevant date. Transfer values for the UK-based Executive Directors have been calculated in line with transfer value bases agreed with the UK Pension Scheme Trustees. The transfer values for the US-based Executive Director have been calculated using discount rates based on high quality US corporate bonds and associated yields at the relevant dates.

(iii) In addition to the pension above, there is an accrued lump sum entitlement of £108,000 as at 31 March 2010. The increase to the accumulated lump sum including inflation was £1,000 and excluding inflation was £1,000 in the year to 31 March 2010. The transfer value information above includes the value of the lump sum.

(iv) In addition to the pension above, there is an accrued lump sum entitlement of £260,000 as at 31 March 2010. The increase to the accumulated lump sum including inflation was £2,000 and excluding inflation was £2,000 in the year to 31 March 2010. The transfer value information above includes the value of the lump sum.

(v) In addition to the pension above, there is an accrued lump sum entitlement of £280,000 as at 31 March 2010. The increase to the accumulated lump sum including inflation was £2,000 and excluding inflation was £2,000 in the year to 31 March 2010. The transfer value information above includes the value of the lump sum.

(vi) The exchange rate as at 31 March 2010 was $1.51845:£1 and as at 31 March 2009 was $1.4368:£1. In addition to the pension quoted above, through participation in the 401(k) plan in the US, the Company made contributions worth £4,840 to a defined contribution arrangement.

3. Directors' interests in share options

The table below provides details of the Executive Directors' holdings of share options awarded under the Executive Share Option Plan (ESOP), the Share Matching Plan (Share Match) and Sharesave schemes.

Table 3	Options held at 1 April 2009	Options exercised or lapsed during the year	Market price at exercise (pence)	Options granted during the year	Options held at 31 March 2010	Exercise price per share (pence)	Normal exercise period
Steve Holliday							
ESOP	67,497	–	–	–	67,497	481.5	June 2005 to June 2012
Share Match	10,350	–	–	–	10,350	100 in total	June 2005 to June 2012
	14,083	–	–	–	14,083	100 in total	June 2006 to June 2013
	18,713	–	–	–	18,713	nil	May 2007 to May 2014
Sharesave	3,432	–	–	–	3,432	488	Apr 2014 to Sep 2014
Total	**114,075**	**–**		**–**	**114,075**		
Steve Lucas							
ESOP	54,404	–	–	–	54,404	434.25	Dec 2005 to Dec 2012
Sharesave	1,693(i)	–	–	–	1,693	558	Apr 2010 to Sep 2010
	–	–	–	2,990	2,990	520	Apr 2015 to Sep 2015
Total	**56,097**	**–**		**2,990**	**59,087**		
Nick Winser							
ESOP	19,755	19,755(ii)	–	–	–	531.5	June 2003 to June 2010
Total	**19,755**	**19,755**		**–**	**–**		
Mark Fairbairn							
ESOP	2,180	2,180(iii)	539.5	–	–	435.75	July 2002 to July 2009
	33,489	33,489(ii)	–	–	–	531.5	June 2003 to June 2010
	31,152	31,152(iii)	539.5	–	–	481.5	June 2005 to June 2012
Sharesave	862(i)	–	–	–	862	383	Apr 2010 to Sep 2010
	1,760	–	–	–	1,760	558	Apr 2012 to Sep 2012
	512	–	–	–	512	655	Apr 2013 to Sep 2013
Total	**69,955**	**66,821**		**–**	**3,134**		

(i) On 1 April 2010 Steve Lucas and Mark Fairbairn exercised Sharesave options over 1,693 and 862 shares respectively. The market price at the date of exercise was 647.5p.

(ii) The performance condition was not satisfied for the ESOP award granted in 2000. As a result, the awards have lapsed in full.

(iii) Mark Fairbairn exercised simultaneously two ESOP awards over a total of 33,332 shares. The market price at the date of exercise was 539.5p.

Directors' Remuneration Report continued

3. Directors' interests in share options continued

Executive Share Option Plan (ESOP)

No further awards will be made under this plan but there are outstanding options granted in previous years. Such options will normally be exercisable between the third and tenth anniversary of the date of grant, subject to a performance condition. The performance condition attached to the outstanding ESOP options is set out below. If the performance condition is not satisfied after the first three years, it will be re-tested as indicated.

Options worth up to 100% of an optionholder's base salary will become exercisable in full if TSR, measured over the period of three years beginning with the financial year in which the option is granted, is at least median compared with a comparator group of energy distribution companies; and UK and international utilities.

Grants in excess of 100% of salary vest on a sliding scale, becoming fully exercisable if the Company's TSR is in the top quartile.

Grants made in 2000

The performance condition attached to options granted in June 2000 is tested annually throughout the lifetime of the option. The final re-test was on 31 March 2010 and the performance condition was not met. This award has therefore lapsed.

4. Directors' interests in the PSP, DSP and SRA

The table below provides details of the Executive Directors' holdings of shares awarded under the PSP whereby Executive Directors receive a conditional award of shares, up to a current maximum of 200% of salary, which is subject to performance criteria over a three year performance period. Awards vest based on the Company's TSR performance when compared to the FTSE 100 at the date of grant (50% of the award) and the annualised growth of the Company's EPS (50% of the award), see page 100 for further information. Shares are then released on the fourth anniversary of the date of grant, following a retention period. The table includes share awards under the DSP, where Executive Directors receive an award of shares representing one half of any Annual Performance Plan award earned in the year. The deferred shares are held in trust for three years before release. As part of a contractual commitment made at the time of Tom King's recruitment, he received a SRA. The one-off award of National Grid ADSs vests in equal tranches, over three years, on the anniversary of the award (November 2008 through to November 2010) subject to continued employment. There are no performance conditions attached to the award.

Table 4

	Type of award	PSP, DSP and SRA conditional awards at 1 April 2009	Awards lapsed during year	Awards vested in year	Release of PSP awards in year	Awards granted during year	Market price at award (pence except#)	Date of award	Conditional awards at 31 March 2010	Release date
Steve Holliday										
	PSP	100,801	–	–	100,801(i)	–	527.03	June 2005	–	June 2009
	PSP	126,788	–	126,788	126,788(ii)	–	591.5382	June 2006	–	Mar 2010
	PSP	139,217	–	–	–	–	740.75	June 2007	139,217	June 2011
	PSP	77,247	–	–	–	–	800.9919	Nov 2007	77,247	Nov 2011
	PSP	276,947	–	–	–	–	667.9967	June 2008	276,947	June 2012
	PSP	–	–	–	–	342,353	540.3773	June 2009	342,353	June 2013
	DSP	36,389	–	36,389(iii)	–	–	583.96	June 2006	–	June 2009
	DSP	42,435	–	42,435(iv)	–	–	726.87	June 2007	–	Mar 2010
	DSP	85,307	–	–	–	–	697.48	June 2008	85,307	June 2011
	DSP	–	–	–	–	68,960(v)	541.14	June 2009	68,960	June 2012
Total		**885,131**	**–**	**205,612**	**227,589**	**411,313**			**990,031**	
Steve Lucas										
	PSP	99,615	–	–	99,615(i)	–	527.03	June 2005	–	June 2009
	PSP	101,430	–	101,430	101,430(ii)	–	591.5382	June 2006	–	Mar 2010
	PSP	84,930	–	–	–	–	740.75	June 2007	84,930	June 2011
	PSP	47,125	–	–	–	–	800.9919	Nov 2007	47,125	Nov 2011
	PSP	157,186	–	–	–	–	667.9967	June 2008	157,186	June 2012
	PSP	–	–	–	–	194,308	540.3773	June 2009	194,308	June 2013
	DSP	34,882	–	34,882(iii)	–	–	583.96	June 2006	–	June 2009
	DSP	29,276	–	29,276(iv)	–	–	726.87	June 2007	–	Mar 2010
	DSP	47,263	–	–	–	–	697.48	June 2008	47,263	June 2011
	DSP	–	–	–	–	38,656(v)	541.14	June 2009	38,656	June 2012
Total		**601,707**	**–**	**165,588**	**201,045**	**232,964**			**569,468**	

4. Directors' interests in the PSP, DSP and SRA continued

Table 4

Type of award	PSP, DSP and SRA conditional awards at 1 April 2009	Awards lapsed during year	Awards vested in year	Release of PSP awards in year	Awards granted during year	Market price at award (pence except#)	Date of award	Conditional awards at 31 March 2010	Release date
Nick Winser									
PSP	91,314	–	–	91,314(i)	–	527.03	June 2005	–	June 2009
PSP	88,751	–	88,751	88,751(ii)	–	591.5382	June 2006	–	Mar 2010
PSP	75,008	–	–	–	–	740.75	June 2007	75,008	June 2011
PSP	41,620	–	–	–	–	800.9919	Nov 2007	41,620	Nov 2011
PSP	138,413	–	–	–	–	667.9967	June 2008	138,413	June 2012
PSP	–	–	–	–	171,102	540.3773	June 2009	171,102	June 2013
DSP	31,316	–	31,316(iii)	–	–	583.96	June 2006	–	June 2009
DSP	25,596	–	25,596(iv)	–	–	726.87	June 2007	–	Mar 2010
DSP	36,008	–	–	–	–	697.48	June 2008	36,008	June 2011
DSP	–	–	–	–	33,804(v)	541.14	June 2009	33,804	June 2012
Total	**528,026**	**–**	**145,663**	**180,065**	**204,906**			**495,955**	
Mark Fairbairn									
PSP	40,225	–	–	40,225(i)	–	527.03	June 2005	–	June 2009
PSP	40,572	–	40,572	40,572(ii)	–	591.5382	June 2006	–	Mar 2010
PSP	67,499	–	–	–	–	740.75	June 2007	67,499	June 2011
PSP	37,453	–	–	–	–	800.9919	Nov 2007	37,453	Nov 2011
PSP	138,324	–	–	–	–	667.9967	June 2008	138,324	June 2012
PSP	–	–	–	–	170,991	540.3773	June 2009	170,991	June 2013
DSP	10,800	–	10,800(iii)	–	–	583.96	June 2006	–	June 2009
DSP	13,867	–	13,867(iv)	–	–	726.87	June 2007	–	Mar 2010
DSP	40,646	–	–	–	–	697.48	June 2008	40,646	June 2011
DSP	–	–	–	–	32,605(v)	541.14	June 2009	32,605	June 2012
Total	**389,386**	**–**	**65,239**	**80,797**	**203,596**			**487,518**	
Tom King									
PSP	ADSs 24,006	–	–	–	–	$83.3121#	Nov 2007	ADSs 24,006	Nov 2011
PSP	ADSs 32,099	–	–	–	–	$65.4211#	June 2008	ADSs 32,099	June 2012
PSP	–	–	–	–	ADSs 47,609(vi)	$44.1091#	June 2009	ADSs 47,609	June 2013
SRA	ADSs 23,658	–	ADSs 11,829(vii)	–	–	$84.5360#	Nov 2007	ADSs 11,829	Nov 2008
									to Nov 2010
DSP	ADSs 4,843	–	–	–	–	$68.1174#	June 2008	ADSs 4,843	June 2011
DSP	–	–	–	–	ADSs 12,080(vi)	$44.8371#	June 2009	ADSs 12,080	June 2012
Total ADSs	**ADSs 84,606**	**–**	**ADSs 11,829**	**–**	**ADSs 59,689**			**ADSs 132,466**	

(i) The 2005 PSP award vested in full in June 2008 and then entered a retention period. The shares under the award were released on the fourth anniversary of the date of grant (June 2009).

(ii) The 2006 PSP award vested in full in June 2009 and then entered a retention period. The Remuneration Committee approved an early release of the shares on 1 March 2010. Cash payments in lieu of dividends accrued during the retention period were paid as follows: Steve Holliday £32,401 in August 2009 and £19,230 in February 2010; Steve Lucas £25,921 and £15,384; Nick Winser £22,681 and £13,461; and Mark Fairbairn £10,368 and £6,153 respectively.

(iii) Following the three year deferral period, the 2006 DSP award was released in June 2009. Cash payments in lieu of dividends accrued during the deferral period were paid as follows: Steve Holliday £39,357, Steve Lucas £37,727, Nick Winser £33,870 and Mark Fairbairn £11,681.

(iv) Following a near complete deferral period, the Remuneration Committee approved the early release of the 2007 DSP award on 1 March 2010. Cash payments in lieu of dividends accrued during the deferral period were paid as follows: Steve Holliday £38,800, Steve Lucas £26,768, Nick Winser £23,403 and Mark Fairbairn £12,679.

(v) Exceptionally, the 2009 DSP award for UK-based Executive Directors was made over restricted shares. The award was subject to income tax and National Insurance Contributions on grant and therefore shares shown reflect the net number of shares.

(vi) Awards were made over ADSs and each ADS represents five ordinary shares.

(vii) Tom King received a Special Retention Award as part of a contractual commitment made at the time of his recruitment. The award vests in three equal tranches over three years, the second vesting for which was November 2009 for 11,829 ADSs. The ADS price on vesting for the second tranche was $54.62450.

Directors' Remuneration Report continued

5. Directors' beneficial interests

The Directors' beneficial interests (which include those of their families) in National Grid ordinary shares of $11\frac{17}{43}$ pence each are shown below.

Table 5	Ordinary shares at 31 March 2010 or, if earlier, on retirement †(i)	Ordinary shares at 1 April 2009 or, if later, on appointment	Options/awards over ordinary shares at 31 March 2010	Options/awards over ordinary shares at 1 April 2009
Sir John Parker	81,635	81,337	–	–
Steve Holliday (ii) (iii)	221,472	39,285	1,104,106	999,206
Steve Lucas (ii) (iv) (v)	167,503	88,192	628,555	657,804
Nick Winser (ii)	223,138	83,518	495,955	547,781
Mark Fairbairn (ii) (iii) (iv)	143,372	48,305	490,652	459,341
Tom King	97,640	59,145	662,330	423,030
Ken Harvey	3,740	3,740	–	–
Linda Adamany	2,000	2,000	–	–
Philip Aiken	3,500	2,000	–	–
John Allan	7,000	2,000	–	–
Stephen Pettit	2,632	2,632	–	–
Maria Richter	10,255	5,255	–	–
George Rose	4,852	4,852	–	–
Bob Catell (vi)	72,415†	40,000	–	–

(i) There has been no other change in the beneficial interests of the Directors in ordinary shares between 1 April 2010 and 19 May 2010, except in respect of routine monthly purchases under the SIP (see note (iii) below) and with respect to the exercise of Sharesave options (see note (iv) below).

(ii) Each of the Executive Directors, with the exception of Tom King, was for Companies Act purposes deemed to be a potential beneficiary under the National Grid plc 1996 Employee Benefit Trust and the National Grid Employee Share Trust; Steve Holliday, Steve Lucas, Nick Winser and Mark Fairbairn thereby have an interest in 238,740 and 544,944 ordinary shares in the aforementioned trusts respectively, as at 31 March 2010 (with the latter holding 36,283 ADSs in addition).

(iii) Beneficial interest includes shares purchased under the monthly operation of the SIP in the year to 31 March 2010. In April and May 2010 a further 40 shares were purchased on behalf of Steve Holliday and a further 80 shares were purchased on behalf of Mark Fairbairn thereby increasing their beneficial interests.

(iv) The beneficial interests for Steve Lucas and Mark Fairbairn increased on 1 April 2010 to include Sharesave exercises over 1,693 shares and 862 shares respectively.

(v) Steve Lucas was for Companies Act purposes deemed to be a potential beneficiary in 11,361 ordinary shares held by Lattice Group Trustees Limited as trustee of the Lattice Group Employee Share Ownership Trust as at 31 March 2010.

(vi) Bob Catell retired from the Board as a Non-executive Director on 27 July 2009.

6. National Grid share price range

The closing price of a National Grid ordinary share on 31 March 2010 was 641.5p. The range during the year was 682p (high) and 515.5p (low). The Register of Directors' Interests contains full details of shareholdings and options/awards held by Directors as at 31 March 2010.

On behalf of the Board

Helen Mahy

Company Secretary & General Counsel
19 May 2010