

2010/11

nationalgrid

# Annual Report and Accounts

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Notice of Annual General Meeting

# Notice of National Grid plc 2011 Annual General Meeting

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

18 May 2011

**The 2011 Annual General Meeting of National Grid plc (the “Company”) will be held at 2pm on Monday 25 July 2011 at The ICC, Broad Street, Birmingham B1 2EA.**

The Annual General Meeting (“AGM”) will consider the following resolutions, which in the case of resolutions 18, 19 and 20 will be proposed as special resolutions with the remainder being proposed as ordinary resolutions:

1. To receive the Company’s accounts for the year ended 31 March 2011, the Directors’ Reports and the Auditors’ Report on the accounts.
2. To declare a final dividend of 23.47 pence per ordinary share (US\$1.9005 per American Depositary Share) for the year ended 31 March 2011.
3. To re-elect Sir John Parker as a Director.
4. To re-elect Steve Holliday as a Director.
5. To elect Andrew Bonfield as a Director.
6. To re-elect Tom King as a Director.
7. To re-elect Nick Winser as a Director.
8. To re-elect Ken Harvey as a Director.
9. To re-elect Linda Adamany as a Director.
10. To re-elect Philip Aiken as a Director.
11. To re-elect Stephen Pettit as a Director.
12. To re-elect Maria Richter as a Director.
13. To re-elect George Rose as a Director.
14. To reappoint PricewaterhouseCoopers LLP as the Company’s auditors until the conclusion of the next general meeting at which accounts are laid before the Company.
15. To authorise the Directors to set the auditors’ remuneration.
16. To approve the Directors’ Remuneration Report for the year ended 31 March 2011.
17. To authorise the Directors generally and unconditionally, in accordance with Section 551 of the Companies Act 2006 (the “2006 Act”), to allot shares in the Company or to grant rights to subscribe for or convert any security into shares in the Company:
  - (i) up to an aggregate nominal amount of £133,371,098; and
  - (ii) comprising equity securities (as defined in Section 560 of the 2006 Act) up to a further nominal amount of £133,371,098 in connection with an offer by way of a rights issue.

This authority shall expire at the earlier of the close of the next AGM and 25 October 2012 except that the Directors shall be entitled, at any time prior to the expiry of this authority, to make an offer or enter into an agreement which would, or might, require shares to be allotted or subscription or conversion rights to be granted after such expiry and the Directors may allot shares or grant rights in accordance with such offer or agreement as if the authority conferred had not expired.

18. Subject to the passing of resolution 17 set out above, to authorise the Directors, in accordance with Section 570 of the 2006 Act, to allot equity securities wholly for cash, including a sale of treasury shares, as if Section 561 of the 2006 Act did not apply to any such allotment or sale, provided that this power shall be limited to:
  - (i) any such allotment in connection with a rights issue; and
  - (ii) any such allotment, otherwise than pursuant to a rights issue, of equity securities up to an aggregate nominal value of £20,005,664.

This authority shall expire at the earlier of the close of the next AGM and 25 October 2012 except that the Directors shall be entitled, at any time prior to the expiry of this authority, to make an offer or enter into an agreement which would, or might, require equity securities to be allotted wholly or partly after such expiry and the Directors may allot equity securities in accordance with such offer or agreement as if the authority conferred had not expired.

19. To authorise the Company generally and unconditionally, for the purpose of Section 701 of the 2006 Act, to make market purchases of its ordinary shares provided that:
  - (i) the maximum number of ordinary shares that may be acquired is 351,119,831, being 10% of the Company’s issued share capital as at 18 May 2011;
  - (ii) the minimum price per share that may be paid for any such shares is 11<sup>17</sup>/<sub>43</sub> pence; and
  - (iii) the maximum price per share that may be paid for any such shares is not more than the higher of: (a) an amount equal to 105% of the average market value for an ordinary share, as derived from the London Stock Exchange Official List, for the five business days prior to the day on which the purchase is made; and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System.

This authority shall expire at the earlier of the close of the next AGM and 25 October 2012 except that the Company shall be

entitled, at any time prior to the expiry of this authority, to make a contract of purchase which would or might be executed wholly or partly after such expiry and to purchase shares in accordance with such contract as if the authority conferred had not expired.

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

**21.** To:

(i) reapprove the rules of the National Grid plc Share Incentive Plan (the "SIP") the principal features of which are summarised in the Appendix, subject to such modification as the Directors may consider necessary or desirable to maintain or obtain the approval of Her Majesty's Revenue & Customs ("HMRC") or to take account of the requirements of the Financial Services Authority (or its successor(s)) or the London Stock Exchange or otherwise;

(ii) authorise the Directors to do all things necessary and expedient to continue to operate the SIP; and

(iii) authorise the Directors to establish or maintain such further plans for the benefit of employees outside the UK based on the SIP subject to such modifications as may be necessary or desirable to take account of any security laws, exchange control and tax legislation, provided that any shares made available under the SIP are treated as counting against any limits on individual participation in such further plans and any new shares made available under such further plans are treated as counting against any limits on overall participation in the SIP.

**22.** To:

(i) reapprove the rules of the National Grid plc Employee Stock Purchase Plan (the "ESPP") the principal features of which are summarised in the Appendix, subject to such modification as the Directors may consider necessary or desirable to maintain or obtain any approval of a relevant taxation authority or to take account of the requirements of the Financial Services Authority (or its successor(s)) or the London Stock Exchange or otherwise;

(ii) authorise the Directors to do all things necessary and expedient to continue to operate the ESPP; and

(iii) authorise the Directors to establish or maintain such further plans for the benefit of employees outside the United States based on the ESPP subject to such modifications as may be necessary or desirable to take account of any security laws, exchange control and tax legislation, provided that any shares made available under the ESPP are treated as counting against any limits on individual participation in such further plans and any new shares made available under such further plans are treated as counting against any limits on overall participation in the ESPP.

**23.** To:

(i) approve the rules of the National Grid plc Sharesave Plan ("Sharesave") the principal features of which are summarised in the Appendix, subject to such modification as the Directors may consider necessary or desirable to

maintain or obtain the approval of HMRC or to take account of the requirements of the Financial Services Authority (or its successor(s)) or the London Stock Exchange or otherwise;

(ii) authorise the Directors to adopt and do all things necessary and expedient to operate Sharesave; and

(iii) authorise the Directors to establish or maintain such further plans for the benefit of employees outside the UK based on Sharesave subject to such modifications as may be necessary or desirable to take account of any security laws, exchange control and tax legislation, provided that any shares made available under Sharesave are treated as counting against any limits on individual participation in such further plans and any new shares made available under such further plans are treated as counting against any limits on overall participation in Sharesave.

**24.** To:

(i) approve the rules of the National Grid plc Long Term Performance Plan (the "LTPP") the principal features of which are summarised in the Appendix, subject to such modification as the Directors may consider necessary or desirable to maintain or obtain any approval of a relevant taxation authority or to take account of the requirements of the Financial Services Authority (or its successor(s)) or the London Stock Exchange or otherwise;

(ii) authorise the Directors to do all things necessary and expedient to operate the LTPP; and

(iii) authorise the Directors to establish or maintain such further plans for the benefit of employees outside the UK based on the LTPP subject to such modifications as may be necessary or desirable to take account of any security laws, exchange control and tax legislation, provided that any shares made available under the LTPP are treated as counting against any limits on individual participation in such further plans and any new shares made available under such further plans are treated as counting against any limits on overall participation in the LTPP.

The Directors believe the proposals set out in resolutions 1 to 24 are in the best interests of shareholders as a whole and they unanimously recommend that shareholders vote in favour of each of the resolutions as they intend to do in respect of their own holdings.

On behalf of the Board

**Helen Mahy**  
Company Secretary & General Counsel

18 May 2011

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

# Explanation of resolutions

**Resolutions 18, 19 and 20 will be proposed as special resolutions and will be passed if at least 75% of the votes cast (not counting votes withheld) are in favour.**

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

## **Resolution 1: To receive the Annual Report and Accounts**

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

Copies of the full Annual Report and Accounts for the year ended 31 March 2011 (the "Annual Report") and the Performance Summary will be available at the AGM. These documents are also available on the Company's website at [www.nationalgrid.com](http://www.nationalgrid.com). Paper copies can be obtained from Capita Registrars, see page 7 for contact details.

## **Resolution 2: To declare a final dividend**

The Company requires shareholder consent to pay a final dividend. The dividend cannot exceed the amount recommended by the Directors. If approved, the final dividend of 23.47 pence per ordinary share (US\$1.9005 per American Depositary Share ("ADS")) will be paid on 17 August 2011 to shareholders on the register at the close of business on 3 June 2011. The dividend is to be paid in respect of each ordinary share other than those shares in respect of which a valid election has been made, pursuant to the Company's scrip dividend scheme, to receive new ordinary shares instead of the final dividend in cash. Dividends are declared in both pence and US\$ to ensure that holders of both ordinary shares and ADSs are paid the declared dividend on the same day.

## **Resolutions 3 – 13: Election and re-election of Directors**

Full biographical and remuneration details for each of the Directors seeking election and re-election are set out in the Annual Report.

The Company's Articles of Association require that any Director appointed to the Board retire and seek election by shareholders at their first AGM following appointment and subsequent re-election at least once every three years. Accordingly, following Andrew Bonfield's appointment on 1 November 2010 he will seek election at this AGM. In line with the commitment set out in last year's Annual Report and in accordance with best practice introduced by the UK Corporate Governance Code, it is proposed that all other Directors seek re-election at the AGM this year, with the exception of John Allan, who will be stepping down from the Board following the conclusion of the 2011 AGM.

The Nominations Committee considers the effectiveness of each Director and the independence of the Non-executive Directors when making its recommendation to the Board in respect of the election or re-election of the Directors. In addition to the recommendation of the Nominations Committee, the Board also considered the results of the annual performance evaluation.

Following this review, each of the Non-executive Directors at year end has been determined by the Board to be independent notwithstanding that Ken Harvey, George Rose and Stephen Pettit have served on the Board for more than nine years when their appointments as directors of Lattice Group plc are included. The Board believes they have retained independent character and judgement and recognise the significant changes in the Company's operations over the years noting that Lattice Group plc had limited overseas operations and no electricity businesses. However, the Board acknowledges that some of its Non-executive Directors have been in tenure for a number of years

and the Nominations Committee will be actively considering Board and Committee composition in the year ahead. The Board considers the varied and relevant experience of all the Non-executive Directors combines to provide an exceptional balance of skills and knowledge which is of great benefit to the Company.

Accordingly, the Board has resolved that the Directors continue to be effective, committed to their roles and have sufficient time available to perform their duties to the Company and that, other than the Chairman, each of the Non-executive Directors remained independent and, therefore, the Board recommends the re-election of all other Directors, with the exception of John Allan.

## **Resolution 3: To re-elect Sir John Parker**

Sir John Parker became Chairman in October 2002 following the merger of Lattice Group plc and National Grid Group plc. His career has encompassed the engineering, shipbuilding and defence industries. He is Chairman of Anglo American plc, Vice Chairman of DP World Limited, Non-executive Director of Carnival plc, Carnival Corporation, Inc., and the European Aeronautic Defence and Space Company and Chancellor of the University of Southampton.

## **Resolution 4: To re-elect Steve Holliday**

Steve Holliday, Chief Executive, was appointed in January 2007 having joined as Group Director, UK and Europe in 2001. He was formerly an Executive Director of British Borneo Oil and Gas and held senior positions within the Exxon Group. He is a Non-executive Director of Marks and Spencer Group plc and Chairman of the UK Business Council for Sustainable Energy, Chair of the Technician Council and a member of both the Board of Trustee Directors for Business in the Community and Infrastructure UK.

## **Resolution 5: To elect Andrew Bonfield**

Andrew Bonfield joined National Grid plc on 1 November 2010 as Executive Director Finance, with responsibility for Shared Services. Formerly Chief Financial Officer at Cadbury plc, he also spent five years as Executive Vice President & Chief Financial Officer of Bristol-Myers Squibb. He has previous experience in the energy sector as Finance Director of BG Group plc. Andrew is also a Non-executive Director of Kingfisher plc.

## **Resolution 6: To re-elect Tom King**

Tom King, Executive Director, was appointed to the Board in August 2007 with responsibility for Electricity Distribution & Generation operations. Following the recent reorganisation, Tom is responsible for all US businesses in the new position of Executive Director and President, US. He was President of PG&E Corporation and Chairman and CEO of Pacific Gas and Electric Company from 2003 to 2007.

## **Resolution 7: To re-elect Nick Winser**

Nick Winser, Executive Director, joined the Board in April 2003 as Executive Director responsible for Transmission. Following the recent reorganisation, Nick has assumed the new position of Executive Director, UK responsible for all UK businesses. He is a Non-executive Director of Kier Group plc and co-Chair of the Energy Research Partnership.

## Explanation of resolutions continued

### Resolution 8: To re-elect Ken Harvey

Ken Harvey, Non-executive Director and Senior Independent Director, joined the Board in October 2002 following the merger of Lattice Group plc and National Grid Group plc. He was appointed Senior Independent Director in October 2004, and is a former Chairman and Chief Executive of Norweb plc. Ken is Chairman of Pennon Group Plc.

### Resolution 9: To re-elect Linda Adamany

Linda Adamany, Non-executive Director, joined the Board in November 2006. Linda has over 35 years' business experience, with 28 years in the international energy sector, having held various executive roles for BP in both the UK and the US and until April 2008, she was Group Vice President of BP plc. She also serves as a member of a not-for-profit board.

### Resolution 10: To re-elect Philip Aiken

Philip Aiken, Non-executive Director, joined the Board in May 2008. He was formerly Group President of BHP Billiton's Energy business, Executive Director of BTR plc, held senior positions in BOC Group plc and was senior advisor to Macquarie Capital (Europe) Limited. He is Chairman of Robert Walters plc, a Non-executive and Senior Independent Director of Kazakhmys PLC and a Non-executive Director of Miclyn Express Offshore Limited and Essar Energy plc.

### Resolution 11: To re-elect Stephen Pettit

Stephen Pettit, Non-executive Director, was appointed to the Board in October 2002 following the merger of Lattice Group plc and National Grid Group plc. He is a former Executive Director of Cable & Wireless plc, Chief Executive, Petrochemicals at British Petroleum and Chairman of ROK plc. Stephen is a Non-executive Director of Halma p.l.c and a member of BT Group plc's Equality of Access Board.

### Resolution 12: To re-elect Maria Richter

Maria Richter, Non-executive Director, was appointed to the Board in October 2003. Maria worked for Morgan Stanley between 1993 and 2002, latterly as Managing Director of its Corporate Finance Retail Group. Maria is a Non-executive Director and Chairman of Pro Mujer UK and Non-executive Director of Pro Mujer International, The Pantry, Inc., The Vitec Group plc and The Bessemer Group Inc.

### Resolution 13: To re-elect George Rose

George Rose, Non-executive Director, was appointed to the Board in October 2002 following the merger of Lattice Group plc and National Grid Group plc. He was formerly a member of the Financial Reporting Review Panel, a Non-executive Director of Orange plc and most recently, a Non-executive Director of Saab AB and until 31 March 2011 Finance Director of BAE Systems plc. George is a member of the UK Industrial Development Advisory Board.

### Resolutions 14 – 15: Auditors' reappointment and remuneration

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

### Resolution 14: To reappoint the auditors PricewaterhouseCoopers LLP

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

### Resolution 15: To authorise the Directors to set the auditors' remuneration

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

### Resolution 16: To approve the Directors' Remuneration Report

In accordance with requirements under the Directors' Remuneration Report Regulations, an advisory resolution is to be proposed on the Directors' Remuneration Report. This means that, should shareholders vote against the Report, the Directors will still be paid but the Remuneration Committee will reconsider remuneration policy going forward.

### Resolution 17: To authorise the Directors to allot ordinary shares

The purpose of resolution 17 is to renew the Directors' power to allot shares. The authority in paragraph (i) will allow the Directors to allot new shares, or to grant rights to subscribe for or convert any security into shares, up to a nominal value of £133,371,098, which is equivalent to approximately 33% of the total issued ordinary share capital of the Company, exclusive of treasury shares, as at 18 May 2011. The authority in paragraph (ii) will allow the Directors to allot new shares, or to grant rights to subscribe for or convert any security into shares, only in connection with a fully pre-emptive rights issue up to a further nominal value of £133,371,098, which is equivalent to approximately 33% of the total issued ordinary share capital of the Company, exclusive of treasury shares, as at 18 May 2011. This is in line with investor guidelines. It is envisaged that, if the additional authority under paragraph (ii) of resolution 17 is utilised, all the Directors would continue to put themselves forward for re-election at the next AGM.

The Directors consider it desirable to have the maximum flexibility permitted by investor guidelines to respond to market developments. No issue of shares will be made which would effectively alter control of the Company without the sanction of shareholders in general meeting. Each authority will be subject to renewal annually.

As at 18 May 2011, the number of ordinary shares in issue was 3,648,339,475 and the Company held 137,141,164 treasury shares, representing 3.91% of the issued share capital excluding treasury shares.

Under the authorities in resolution 17, the Directors currently have no intention of issuing new shares, or of granting rights to subscribe for or to convert any security into shares, except in relation to the Company's scrip dividend scheme and in connection with the exercise of options under the Company's share schemes.

**Resolutions 18, 19 and 20 are special resolutions and will be passed if at least 75% of the votes cast (not counting votes withheld) are in favour.**

**Resolution 18: To disapply pre-emption rights**

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

The Directors intend to adhere to the provisions of the Pre-emption Group's Statement of Principles not to allot shares on a non pre-emptive basis (other than pursuant to a rights issue or pre-emptive offer) in excess of an amount equal to 7.5% over a rolling three year period, without prior consultation with shareholders. Accordingly, the resolution seeks approval for the allotment of new issues of up to 175,559,915 new ordinary shares for cash, representing 5% of the issued share capital as at 18 May 2011. This limit also applies to shares issued from treasury. A renewal of this authority will be proposed at each subsequent AGM.

**Resolution 19: To authorise the Company to purchase its own ordinary shares**

In some circumstances, companies may find it advantageous to purchase their own shares in the market. This can lead to increases in future earnings on those shares not purchased. The Company did not purchase any shares during the year ended 31 March 2011. This resolution complies with investor guidelines, which limit share purchases to 10% of the issued share capital per annum. The Company will only purchase shares where the Directors believe the effect would be to increase earnings per share and would be in the best interests of shareholders generally.

Repurchased shares may be held as treasury shares by the Company. As at 18 May 2011, options were outstanding over 30,976,807 ordinary shares, representing approximately 1% of the issued ordinary share capital. If the proposed market purchase authority were used in full, shares over which options were outstanding would represent approximately 1% of the adjusted ordinary share capital.

**Resolution 20: To authorise the Directors to hold general meetings on 14 clear days' notice**

The Articles of Association allow the Directors to call general meetings of the Company, other than AGMs, on a minimum of 14 days' notice. Following changes arising from the implementation of the Shareholder Rights Directive in the UK in August 2009, authority to call such meetings on such notice (rather than on 21 days' notice) requires annual shareholder approval. Accordingly, to retain flexibility, the Directors are seeking authority again this year to continue to be able to call general meetings on not less than 14 clear days' notice. The approval will be effective until the Company's next AGM when it is intended that a similar resolution will be proposed. The shorter notice period would not be used as a matter of routine for such meetings, but only where flexibility is merited by the business of the meeting and it is thought to be to the advantage of shareholders as a whole. The Company will make available to all shareholders an electronic voting facility for any meeting held on such notice.

**Resolutions 21 to 24 are special business for this year and as ordinary resolutions will be passed if more than 50% of the votes cast (not counting votes withheld) are in favour. Please see the Appendix for information on these proposed resolutions and a summary of the principal features and rules of the employee share plans.**

**Resolution 21: Reapproval of the National Grid plc Share Incentive Plan (the "SIP")**

The SIP was originally approved by shareholders in 2001 and first operated in June 2003. Shareholder authority to operate the SIP will expire in December 2011 and shareholders are now being asked to reapprove the SIP so that it can continue to be operated. The rules of the SIP are substantially in the same form as shareholders originally approved them.

The SIP is an all-employee plan which is approved by HMRC. It allows employees to be awarded free or matching shares, to use deductions from salary to buy partnership shares and to reinvest dividends into dividend shares with all shares held in trust. The rules of the SIP contain all these elements, and the Directors have power to decide which, if any, of them should be implemented. To date the SIP has only been operated in respect of partnership shares and dividend shares and it is currently intended to continue operating the SIP on this basis.

The SIP operates in conjunction with a UK resident trust, which holds shares on behalf of employees. HMRC approval for the SIP (originally granted in 2003) remains in place.

**Resolution 22: Reapproval of the National Grid plc Employee Stock Purchase Plan (the "ESPP")**

The ESPP was originally approved by shareholders in 2001 and was first operated in December 2008. Shareholder authority to operate the ESPP will expire in December 2011 and shareholders are now being asked to reapprove the ESPP so that it can continue to be operated. The rules of the ESPP are substantially in the same form as shareholders originally approved them.

## Explanation of resolutions continued

The ESPP is an all-employee plan and is designed to qualify under Section 423 of the US Internal Revenue Code of 1986. It allows employees to purchase shares or American Depositary Shares (“ADSs”) in the Company on a monthly basis at up to a 15% discount to the market value. Currently the ESPP is operated over ADSs only and the discount is currently set at 15%.

### **Resolution 23: Approval of the National Grid plc Sharesave Plan (“Sharesave”)**

The current National Grid Savings Related Share Option Plan 2002 will expire in 2011. Shareholders are therefore being asked to approve the introduction of a new sharesave plan. The rules of Sharesave are substantially in the same form as shareholders originally approved the National Grid Savings Related Share Option Plan 2002.

Sharesave is an all-employee plan under which employees may be invited to apply for options to acquire shares. The number of shares over which the option is granted is determined by the amount the employee commits to save under a savings contract including a tax free bonus added to the savings at the end of the savings contract. Sharesave is approved by HMRC.

### **Resolution 24: Approval of the National Grid plc Long Term Performance Plan (the “LTPP”)**

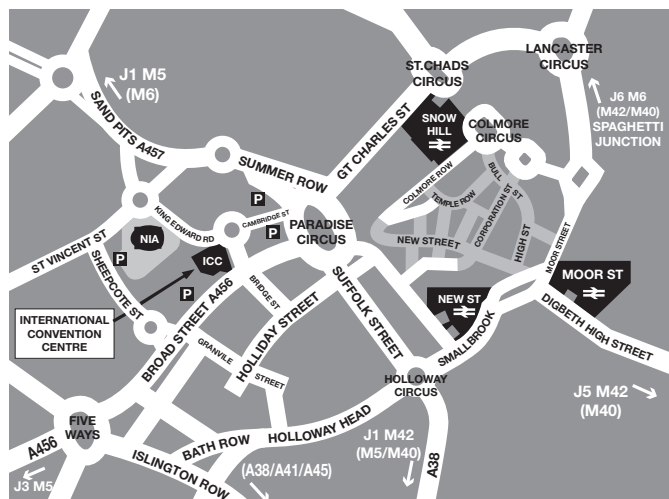
Shareholders are being asked to approve the introduction of the LTPP. This plan will replace the Performance Share Plan effective from the 2011 award which will be made after the 2011 AGM, subject to shareholder approval.

The LTPP is a discretionary share plan under which participants may be granted awards of Company shares or ADSs, normally subject to continued employment and the satisfaction of agreed performance conditions over a set performance period.

# Meeting formalities and voting

## The AGM

The AGM will take place at 2pm on Monday 25 July 2011 at The ICC, Broad Street, Birmingham B1 2EA (see map below). Registration for the AGM will open at 12 noon.



## Attending the AGM

To be entitled to attend and vote at the AGM, shareholders must be included in the register of members of the Company as at 6pm on Saturday 23 July 2011 or, in the event that this AGM is adjourned, in the register of members 48 hours before the time of any adjourned AGM. They shall be entitled to vote at the AGM in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 6pm on Saturday 23 July 2011 or, in the event that this AGM is adjourned, in the register of members 48 hours before the time of any adjourned AGM, shall be disregarded in determining the rights of any person to attend or vote at the AGM.

As at 18 May 2011 (being the last business day before publication of this Notice of AGM), there were 3,648,339,475 ordinary shares in issue, each carrying one vote each, and 137,141,164 shares in treasury. Shares held in treasury do not have voting rights. Therefore, the total number of voting rights exercisable as at 18 May 2011 is 3,511,198,311.

Holders of ordinary shares are entitled to attend, speak and vote, either in person or by proxy, at general meetings of the Company.

## Voting and proxies

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

A shareholder of the Company who is entitled to attend, speak and vote at the AGM but is unable or does not wish to attend is entitled to appoint a proxy or proxies to attend, speak and vote on his/her behalf. A proxy does not need to be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Unless specified otherwise, the Chairman of the Company will act as proxy and vote on a poll as directed by the appointing shareholder. Shareholders will have been sent a personalised Proxy Card.

To be valid, Proxy Cards or CREST Proxy Instructions must be received by no later than 2pm on Saturday 23 July 2011, using the enclosed pre-paid envelope or delivered by post or (during normal business hours) by hand to:

Capita Registrars  
PXS  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

Alternatively, you can complete the proxy form online at [www.nationalgridshareholders.com](http://www.nationalgridshareholders.com).

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

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

If you do not have a Proxy Card and believe that you should, contact Capita Registrars on 0871 402 3344 or if calling from outside the UK +44 20 7098 1198. Calls cost 8p per minute plus network extras. Lines are open from 8.30am to 5.30pm Monday to Friday.

Alternatively, write to:

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

For further details relating to the voting and participation rights of shareholders, please refer to the Company's Articles of Association, copies of which are available on the Company's website at <http://www.nationalgrid.com/corporate/About+Us/CorporateGovernance/>.



# Meeting formalities and voting continued

## Nominated persons

If this notice is sent to you as a person nominated to receive copies of Company communications, the proxy rights described above do not apply to you. The rights described in these paragraphs only apply to shareholders. You may have a right under an agreement with the registered member to be appointed (or have someone else appointed) as a proxy for the AGM, and you are advised to contact them.

## Corporate representatives

A corporate shareholder may appoint one or more corporate representatives on its behalf who may exercise all of its powers as a shareholder provided they do not do so in relation to the same shares.

## CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

Any message, regardless of whether it relates to the appointment of a proxy or to an amendment to an instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (CREST ID RA10) by close of business on Friday 22 July 2011. After this time, any change to instructions to proxies appointed through CREST should be communicated to the agent by other means. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

## Right to ask questions

Shareholders have the right to ask questions at the AGM which the Company must cause to have answered if they relate to the business being dealt with at the meeting unless answering such questions would unduly interfere with the preparation for the meeting or involve the disclosure of confidential information; the answer has already been given on the Company's website in the form of an answer to a question; or answering the questions would be undesirable in the interests of the Company or the good order of the meeting.

Shareholders meeting the threshold requirements in Section 338 and Section 338A of the 2006 Act have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in such business. A resolution may properly be moved or a matter may properly be included in the business

of the meeting unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious.

Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business of the meeting, must be authorised by the person or persons making it, must be received by the Company not later than 13 June 2011, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business of the meeting only) must be accompanied by a statement setting out the grounds for the request.

## Inspection of documents

Copies of the following documents will be available for inspection at the registered office of the Company at 1-3 Strand, London WC2N 5EH during normal business hours until the time of the AGM and at The ICC, Broad Street, Birmingham B1 2EA from 15 minutes before the AGM until it ends:

- (i) copies of the Directors' service contracts or letters of appointment;
- (ii) a copy of the Company's Articles of Association; and
- (iii) copies of the employee share plan rules proposed under resolutions 21 to 24, each produced in draft and for the purposes of identification initialled by the Chairman.

## Website

Copies of the Notice of AGM and the Annual Report are available on the Company's website at [www.nationalgrid.com](http://www.nationalgrid.com). Shareholders should note it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the 2006 Act, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the 2006 Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Section 527 or Section 528 of the 2006 Act. Where the Company is required to place a statement on a website under Section 527 of the 2006 Act, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement the Company has been required under Section 527 of the 2006 Act to publish on a website.

# Appendix

## The National Grid plc Share Incentive Plan (the “SIP”)

### Eligibility

Executive directors and all employees of the Company and any subsidiaries designated by the Directors as participating companies are eligible to join the SIP, if they have worked for the Company or a participating company for a qualifying period determined by the Directors, which may not exceed 18 months.

### Free shares

The SIP provides for the award of shares worth up to a maximum set by the legislation (currently £3,000) to each eligible employee each year. The shares must generally be offered on similar terms, but the award may be subject to performance targets. “Similar terms” means the terms may only be varied by reference to remuneration, length of service or hours worked.

Free shares must be held in trust for a period of between three and five years at the discretion of the Company and will be free of income tax if held in trust for five years. The shares may be forfeited if the participant leaves employment within three years of the award other than through death, retirement, redundancy, injury or disability, or the employing company or business being sold (a “Good Leaver Reason”).

### Partnership shares

The SIP provides for employees to be offered the opportunity to purchase shares out of monthly savings contributions from pre-tax salary of up to the maximum set by the legislation (currently £1,500 in each tax year, or 10% of salary if less). Employees can stop saving at any stage. The employees’ contributions may be used to buy partnership shares immediately (which is how the Company currently operates the SIP) or accumulated for up to 12 months before they are used to buy shares. Where they are accumulated the price at which they are acquired is the lesser of the price at the beginning of the accumulation period and the end.

Partnership shares can be withdrawn from the SIP by the participant at any time, but there will be an income tax liability if the shares are withdrawn before five years.

### Matching shares

The SIP provides that where employees buy partnership shares, they may be awarded additional free matching shares by the Company on a matching basis, up to a current maximum of two matching shares for each partnership share. Matching shares must be held in trust for a minimum of three years and will be free of income tax if held in trust for five years.

If a participant withdraws their corresponding partnership shares before the trustees have held them for three years, they will forfeit the linked matching shares. If the participant ceases to be employed within the minimum three year period (or within such shorter period as the Directors may decide) other than for a Good Leaver Reason the matching shares may be forfeited.

### Dividend shares

The SIP provides that Directors may permit any dividends paid on the free, partnership or matching shares to be reinvested in the purchase of additional shares, which must be held in the SIP for a period of three years.

### Leaving employment

Shares awarded to a participant whose employment terminates must be withdrawn from the SIP immediately. As described above, free and matching shares may be forfeited where employment ceases before the third anniversary of the award date unless the participant leaves for a Good Leaver Reason. Charges to income tax and national insurance will apply unless the participant leaves for a Good Leaver Reason or the shares have been retained in the SIP for at least five years.

### Voting rights

Participants may direct the trustees how to exercise the voting rights attributable to the shares held on their behalf. The trustees will not exercise the voting rights unless they receive the participants’ instructions.

### The National Grid plc Employee Share Purchase Plan (the “ESPP”)

#### Eligibility

All employees (including US-based executive directors) of the US subsidiaries are invited to participate. Participation can be restricted to employees who have completed a qualifying period of service within the limits set by the US Internal Revenue Code of 1986. The Company currently requires employees to have been employed for at least three months at the offer date and work for more than 20 hours per week. Individuals may not be granted awards if they own shares representing 5% or more of the voting power in the Company. For the remainder of this section reference to “shares” also includes “ADSs”.

#### Contributions

Eligible employees who choose to participate in the ESPP must authorise the deduction of a set amount each month from their post-tax salary (up to a maximum set by the Company, currently 20% of monthly salary up to a maximum of US\$18,888 per year, and in any event not more than US\$25,000 per year).

#### Grant of options

Options are granted over a number of shares in the Company which is determined by the amount participants have contributed to the ESPP at the end of a specified offering period, subject to the maximum contribution limits specified above. At the end of that offering period the options become exercisable. Any surplus contributions will automatically be carried over into the next offering period. The Company currently operates a monthly offering period so that options are exercised at the end of each month. Options are not pensionable.

#### Purchase price

The option price payable for each share shall be determined by the Remuneration Committee, but may not be less than the lower of 85% of the market value of the shares on the first day of the applicable offering period, or the market value on the date of exercise.

#### Plan limits

The number of shares which may be issued or transferred pursuant to the ESPP may not exceed 200,000,000.

#### Exercise of options

Options are normally automatically exercised at the end of each specified offering period. Options may however, be exercised early in certain circumstances. These include, for example, an employee leaving because of injury, permanent disability, retirement or death. On cessation of employment for other reasons, options will normally lapse and contributions will be returned to the participant.

#### Leaving employment

On leaving employment, outstanding contributions together with the shares and any residual cash amounts are withdrawn from the ESPP and returned to participants.

#### Change of control, merger or other reorganisation

Upon a takeover, scheme of arrangement, merger or other reorganisation, in the Directors’ discretion (i) all options may be exercised early; or (ii) cancelled and all contributions returned to participants; or (iii) exchanged for options over shares in the successor company; or (iv) treated in any other manner the Directors may deem appropriate.

### The National Grid plc Sharesave Plan (“Sharesave”)

#### Invitations

When Sharesave is operated, invitations must be sent to any employee or full time director that satisfies the following conditions. The conditions are that they:

- are employed by the Company or any participating subsidiary of the Company;
- are a UK taxpayer; and
- have been continuously employed by the Company or a participating subsidiary of the Company for a minimum period (up to five years).

In addition the Directors may send invitations to any other employee (including executive directors) of the Company or any participating subsidiary or jointly owned company of the Company who does not meet those criteria. Invitations will normally be made within 42 days of an announcement of results and in other exceptional circumstances. Options are not pensionable.

#### Savings contract

The principle of Sharesave is that an employee is granted an option to acquire Company shares at a fixed option price (see below). The employee must enter into a savings contract and save not more than £250 per month (or such other sum as may be allowed by legislation). Shares can only be bought with the amount saved plus any bonus paid under the savings contract (if applicable).

#### Option price

The option price must not be less than 80% of the market value of the shares on the business day before the date of grant or the average market value over the three preceding business days.

#### Exercise of options

Options are normally exercisable within six months after the third, fifth or seventh anniversary of the start of the savings contract. Options may however be exercised early in certain circumstances, for example where an employee leaves or there is a change of control (see below).

#### Leaving employment

Options will normally lapse when the participant ceases to be employed before vesting. However, if employment ends because of death, injury, disability, redundancy, retirement or sale of the employing company or business, options immediately become exercisable to the extent of the related savings. Options will remain exercisable for six months (or 12 months in the case of death) and then lapse.

#### Change of control, merger or other reorganisation

Options may generally be exercised early on a takeover, scheme of arrangement, merger or other reorganisation. Alternatively, option holders may be allowed or required to exchange their options for options over shares in the acquiring company.

## The National Grid plc Long Term Performance Plan (the “LTPP”)

### Outline

The LTPP is a discretionary share plan under which participants may be granted awards of Company shares or ADSs, normally subject to continued employment and the satisfaction of agreed performance conditions over a set performance period.

### Eligibility

Employees (including executive directors) of the Company and any of its subsidiaries may be granted awards under the LTPP.

### Grant of awards

Awards will normally be granted within 42 days of the announcement of results for any period. Subject to dealing restrictions, they may be granted at other times, for example, if there is a change in tax or share plans legislation or in exceptional circumstances, as determined by the Directors. No grants under the LTPP can be made more than 10 years after the LTPP's approval by shareholders.

The number of shares comprised in an award will be determined by the Directors at the time of grant.

Awards will normally be structured as conditional awards but, at the Directors' discretion, may alternatively be structured as options (including nil cost options), restricted share awards or phantom awards.

Awards are not transferrable and are not pensionable.

### Performance conditions

Awards will be subject to the satisfaction of stretching and objective performance conditions which reflect the Company's strategy and which will be set at grant. It is currently intended that performance conditions will be based on the following three measures:

- 50% of an award will be subject to an Earnings Per Share (“EPS”) target set over a three year performance period;
- 25% of an award will be subject to Total Shareholder Return (“TSR”) measured over a three year performance period; and
- the remaining 25% of an award will be subject to a Return on Equity (“ROE”) target set over a four year performance period.

In relation to the first operation of the LTPP, the performance range for the performance conditions will be measured as follows:

- EPS threshold performance will be met where annualised growth in adjusted EPS (on a continuing basis and excluding exceptional items, remeasurements and stranded costs) exceeds the average annual increase in RPI (the general index of retail prices for all items) over the same period by 3%. The upper target will be met where EPS growth exceeds RPI growth by 8%;
- TSR threshold performance will be met where the Company's TSR (on an annualised compound basis), when ranked against that of the FTSE 100 comparator group, is at median. The upper target will represent TSR 7.5% above that of the median company in the FTSE 100; and

- ROE threshold performance will be met where the allowed regulatory returns in the UK and -1% of the allowed regulatory returns in the US are achieved. The upper target will represent outperformance of regulatory returns by 2% in the UK and 1% in the US.

Under each measure, threshold performance will result in 25% of shares being released, and upper target performance will result in 100% of shares being released. The number of shares released where performance is between threshold and upper target will be determined by pro rating on a straight line basis.

### Individual limits

The market value of shares/ADSs subject to awards granted to an executive director of the Company in any financial year may not exceed 250% of his annual basic salary.

### Vesting

Each part of an award will usually vest following the end of the performance period that applies to that part, subject to the satisfaction of the relevant performance condition.

Shares/ADSs will be issued or transferred to the participant shortly after vesting, unless the Company decides to satisfy the award in cash.

Participants will not be entitled to vote or to receive dividends in respect of the shares/ADSs subject to their awards. However, the Directors may decide to pay participants a dividend equivalent (in the form of cash or additional shares) on vesting.

### Leaving employment

Awards will normally lapse when the participant ceases to be employed before vesting. However, if employment ends because of death, ill health, injury, disability, redundancy, retirement or sale of the employing company or business, awards will normally vest to the extent any applicable performance conditions have been achieved as at the date of cessation (reduced pro rata to reflect acceleration of vesting) as soon as performance can be determined.

### Change of control, merger or other reorganisation

Awards will generally vest early on a takeover, merger or other corporate reorganisation. Alternatively, participants may be allowed or required to exchange their awards for awards over shares/ADSs in the acquiring company.

When an award vests in these circumstances, they will only vest to the extent the performance condition(s) have been satisfied and, unless the Directors decide otherwise, will be reduced pro rata to reflect early vesting.

## **Common features of the SIP, the ESPP, Sharesave and the LTPP (together, the “Plans”)**

### **Shares**

Any shares issued or transferred under the Plans will rank equally with shares of the same class in issue on the date of allotment/transfer except in respect of rights arising by reference to a prior record date.

### **Plan limits**

For the SIP, ESPP and Sharesave, in any 10 year period, not more than 10% of the issued ordinary share capital of the Company may be issued or be issuable under those plans and all other employees' share plans operated by the Company. For the LTPP, in any 10 year period, not more than 5% of the issued ordinary share capital of the Company may be issued or be issuable under that plan and all other discretionary employees' share plans operated by the Company. These limits do not include options/awards which have lapsed.

### **Variation in share capital**

For the ESPP, Sharesave and LTPP, options and awards may be adjusted following any variation in the share capital of the Company.

### **Amendment**

The Directors may amend the Plans as they consider appropriate. However, shareholder approval will be required to amend certain provisions to the advantage of participants. These provisions relate to eligibility, individual and plan limits, the treatment of awards on the variation in the Company's share capital, and the amendment powers, and whenever so required by legislation.

The Directors can make certain minor amendments, without shareholder approval, that may be to the advantage of participants such as amendments to benefit the administration of the Plans, to take account of a change in legislation, or to obtain or maintain favourable tax treatment for participants or the Company or other participating companies.

To the extent the Plans are operated in any jurisdiction on a tax favourable basis, amendments to the Plans are subject to the prior approval of the relevant tax authority, as may be required.