

## Statement in respect of Financial Year 2020/21

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

1. As an electricity transmission network owner, National Grid Electricity Transmission plc ("NGET") holds a licence in order to carry on activities subject to price regulation. Section 42(c) of the Electricity Act 1989 applies to any company which is authorised by a licence to carry on activities subject to price regulation. In order to comply with this, NGET is required to disclose any arrangements for linking the remuneration of its directors to levels of performance with respect to service standards in connection with activities subject to price regulation for the year ended 31 March 2021.
2. Service standards are standards which relate to the quality of service received by customers or potential customers of the company.
3. NGET has adopted the remuneration policy and approach set out in this Statement for the year ended 31 March 2021.
4. Levels of remuneration are reviewed and approved annually by the Group Executive Committee, with delegated authority from the Remuneration Committee of the National Grid plc (being the ultimate holding company of NGET) Board of Directors in order to attract, retain and motivate directors of sufficient quality to deliver the objectives of NGET. In the case of directors of NGET who are also members of the Group Executive Committee, e.g. Nicola Shaw, this review is conducted by the Remuneration Committee of the National Grid plc Board itself.
5. Performance based elements of remuneration form a significant portion of the total remuneration package for the executive directors of NGET. Typically, performance-based elements account for 50-60% of the total remuneration opportunity; these are linked to both business performance measures and individual performance and typically comprise an annual element (the Annual Performance Plan ("APP")) and a longer-term element (the Long-Term Performance Plan ("LTPP")).
6. For 2020/21, the APP applicable to executive directors are directly linked to the financial and operational performance of NGET and their individual performance.
  - a. The individual performance has been determined by an assessment of the achievement of objectives set at the start of the financial year and their demonstration of leadership behaviours and National Grid values.
  - b. In terms of the operational performance of NGET during the year, this was assessed against metrics and targets set at the start of the financial year.
  - c. The Group Executive Committee has also, where appropriate, reflected on business outcomes not directly included in the APP, including items related to demonstrating service levels to our customers and communities before finalising the plan outcomes.
7. NGET directors are also eligible to receive long-term incentive awards which are settled in National Grid plc shares. The number of shares received is dependent on:
  - a) a broad view of the director's value to the National Grid Group of companies and their performance, which is indirectly impacted by demonstrated service levels to NGET's customers; and
  - b) financial outcomes of National Grid plc over a three-year period, with a potential for a reduction to be made in the event of poor operational performance.
8. Executive directors are also eligible to receive awards under the National Grid Group staff recognition programme. Awards may be made to recognise significant efforts of an individual and could potentially be related to service levels to our customers and communities. These

## Statement in respect of Financial Year 2020/21

awards tend to be small in value and tend to be given to employees further down the organisation rather than the executive directors.

9. On rare occasions, NGET may make an award to one of its executive directors on an exceptional basis for a particular purpose, e.g. to retain a critical employee in a particularly high demand labour market. Although these awards are not based on service levels, we would be unlikely to make an award to an executive director who NGET has deemed to not have enabled our delivery of sufficient service levels to NGET's customers.
10. The NGET independent non-executive directors receive a flat monthly fee for their services. They do not participate in the annual bonus arrangements and their remuneration is not linked to performance standards.

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

1. As a gas transmission network owner and system operator, National Grid Gas plc ("NGG") holds a licence in order to carry on activities subject to price regulation. Section 33F of the Gas Act 1986 (as amended) applies to any company which is authorised by a licence to carry on activities subject to price regulation. In order to comply with this, NGG is required to disclose the level of remuneration linked to levels of performance with respect to service standards in connection with activities subject to price regulation that has been paid, or is due to be paid, to NGG directors for the year ended 31 March 2021.
2. Service standards are standards which relate to the quality of service received by customers or potential customers of the company.
3. NGG has adopted the remuneration policy and approach set out in this Statement, for the year ended 31 March 2021,
4. Levels of remuneration are reviewed and approved annually by the Group Executive Committee, with delegated authority from the Remuneration Committee of the National Grid plc (being the ultimate holding company of NGET) Board of Directors in order to attract, retain and motivate directors of sufficient quality to deliver the objectives of NGET. In the case of directors of NGET who are also members of the Group Executive Committee, e.g. Nicola Shaw, this review is conducted by the Remuneration Committee of the National Grid plc Board itself.
5. Performance based elements of remuneration form a significant portion of the total remuneration package for the executive directors of NGG. Typically, performance-based elements account for 50-60% of the total remuneration opportunity; these are linked to both business performance measures and individual performance and typically comprise an annual element (the Annual Performance Plan, "APP") and a longer-term element (the Long-Term Performance Plan, "LTPP"))
6. For 2020/21, the APP applicable to executive directors are directly linked to the financial and operational performance of NGG and their individual performance.
  - a. The individual performance has been determined by an assessment of the achievement of objectives set at the start of the financial year and their demonstration of leadership behaviours and National Grid values.
  - b. In terms of the operational performance of NGG during the year, this was assessed against metrics and targets set at the start of the financial year.

## Statement in respect of Financial Year 2020/21

- c. The Group Executive Committee has also, where appropriate, reflected on business outcomes not directly included in the APP, including items related to demonstrating service levels to our customers and communities before finalising the plan outcomes.
- 7. NGG directors are also eligible to receive long-term incentive awards which are settled in National Grid plc shares. The number of shares received is dependent on:
  - a) a broad view of the director's value to the National Grid Group of companies and their performance, which is indirectly impacted by demonstrated service levels to NGG's customers; and
  - b) financial outcomes of National Grid plc over a three-year period, with a potential for a reduction to be made in the event of poor operational performance.
- 8. Executive directors are also eligible to receive awards under the National Grid Group staff recognition programme. Awards may be made to recognise significant efforts of an individual and could potentially be related to service levels to our customers and communities. These awards tend to be small in value and tend to be given to employees further down the organisation rather than the executive directors.
- 9. On rare occasions, NGG may make an award to one of its executive directors on an exceptional basis for a particular purpose, e.g. to retain a critical employee in a particularly high demand labour market. Although these awards are not based on service levels, we would be unlikely to make an award to an executive director who NGG has deemed to not have enabled our delivery of sufficient service levels to NGG's customers.
- 10. The NGG independent non-executive directors receive a flat monthly fee for their services. They do not participate in the annual bonus arrangements and their remuneration is not linked to performance standards.