

Bring Energy to Life

Stewardship meeting
Friday, 7 July 2017



Cautionary statement

This presentation contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include information with respect to National Grid's financial condition, its results of operations and businesses, strategy, plans and objectives. Words such as 'anticipates', 'expects', 'should', 'intends', 'plans', 'believes', 'outlook', 'seeks', 'estimates', 'targets', 'may', 'will', 'continue', 'project' and similar expressions, as well as statements in the future tense, identify forward-looking statements. These forward-looking statements are not guarantees of National Grid's future performance and are subject to assumptions, risks and uncertainties that could cause actual future results to differ materially from those expressed in or implied by such forward-looking statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond National Grid's ability to control or estimate precisely, such as changes in laws or regulations, including any arising as a result of the United Kingdom's exit from the European Union; announcements from and decisions by governmental bodies or regulators (including the timeliness of consents for construction projects); the timing of construction and delivery by third parties of new generation projects requiring connection; breaches of, or changes in, environmental, climate change and health and safety laws or regulations, including breaches or other incidents arising from the potentially harmful nature of its activities; network failure or interruption, the inability to carry out critical non network operations and damage to infrastructure, due to adverse weather conditions including the impact of major storms as well as the results of climate change, due to counterparties being unable to deliver physical commodities, or due to the failure of or unauthorised access to or deliberate breaches of National Grid's IT systems and supporting technology; performance against regulatory targets and standards and against National Grid's peers with the aim of delivering stakeholder expectations regarding costs and efficiency savings, including those related to investment programmes and internal transformation and remediation plans; and customers and counterparties (including financial institutions) failing to perform their obligations to the Company. Other factors that could cause actual results to differ materially from those described in this presentation include fluctuations in exchange rates, interest rates and commodity price indices; restrictions and conditions (including filing requirements) in National Grid's borrowing and debt arrangements, funding costs and access to financing; regulatory requirements for the Company to maintain financial resources in certain parts of its business and restrictions on some subsidiaries' transactions such as paying dividends, lending or levying charges; inflation or deflation; the delayed timing of recoveries and payments in National Grid's regulated businesses and whether aspects of its activities are contestable; the funding requirements and performance of National Grid's pension schemes and other post-retirement benefit schemes; the failure to attract, train or retain employees with the necessary competencies, including leadership skills, and any significant disputes arising with the National Grid's employees or the breach of laws or regulations by its employees; and the failure to respond to market developments, including competition for onshore transmission, the threats and opportunities presented by emerging technology, development activities relating to changes in the energy mix and the integration of distributed energy resources, and the need to grow the Company's business to deliver its strategy, as well as incorrect or unforeseen assumptions or conclusions (including unanticipated costs and liabilities) relating to business development activity, including assumptions in connection with the Company's sale of a majority interest in its UK Gas Distribution business and joint ventures. For further details regarding these and other assumptions, risks and uncertainties that may impact National Grid, please read the Strategic Report section and the 'Risk factors' on pages 180 to 183 of National Grid's most recent Annual Report and Accounts. In addition, new factors emerge from time to time and National Grid cannot assess the potential impact of any such factor on its activities or the extent to which any factor, or combination of factors, may cause actual future results to differ materially from those contained in any forward-looking statement. Except as may be required by law or regulation, the Company undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this presentation.

Welcome

SIR PETER GERSHON
CHAIRMAN



Acting responsibly

- Balance needs of all stakeholders
- Optimise shareholder returns
- Strong stewardship and corporate governance over everything we do



Agenda

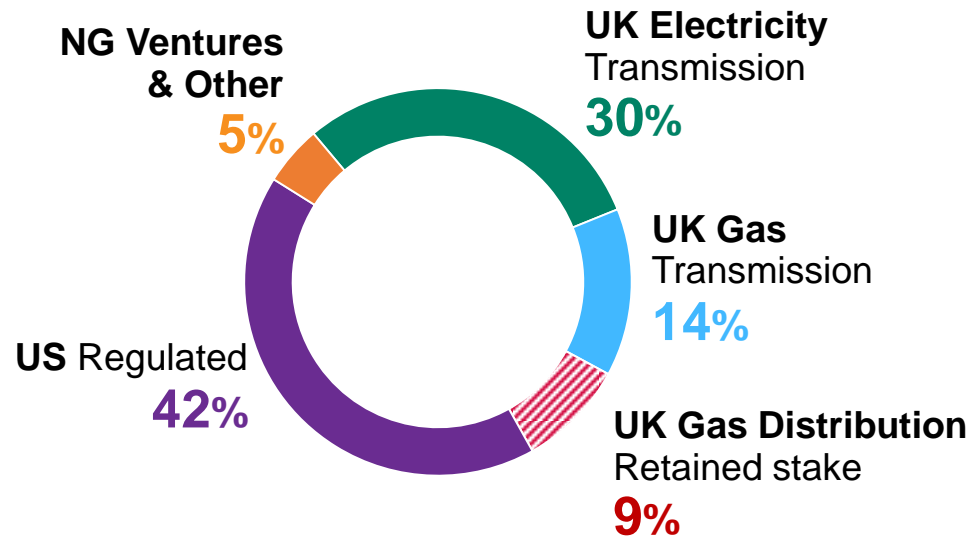
Portfolio overview	Sir Peter Gershon
The Board	Sir Peter Gershon
Nominations	Sir Peter Gershon
Safety, Environment and Health	Paul Golby
Remuneration	Jonathan Dawson
Finance	Therese Esperdy



Portfolio overview

High quality regulated assets

Total assets £40.5bn as at 31 March 2017



Includes 39% share of UK Gas Distribution assets

Outperformance in the UK
generating savings for customers



US rate filings
supporting improved performance and increased investment



Non-Executive Director participants today



**Sir Peter
Gershon**
Chairman



**Jonathan
Dawson**
Remuneration
Committee



Paul Golby
Safety,
Environment
and Health
Committee



**Therese
Esperdy**
Finance
Committee

National Grid plc Board



**Sir Peter
Gershon**



**Ruth
Kelly**



**Jonathan
Dawson**



**Paul
Golby**



**Nora
Mead Brownell**



**Mark
Williamson**



**Pierre
Dufour**



**Therese
Esperdy**



**John
Pettigrew**



**Andrew
Bonfield**



**Dean
Seavers**



**Nicola
Shaw**

- Executive
- Non-executive

Board – key focus areas

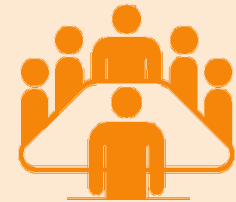
Review of performance improvement in the US



Oversight of UK Gas Distribution sale and return of proceeds



Board composition and effectiveness



Seamless transition to new CEO



Cyber security



Evolution of Group strategy in the context of changing industry



Clear strategic focus

CUSTOMER FIRST



Performance optimisation



Growth



Evolve for the future

Board – 2017/18 priorities

Group



Safety reviews;
Principal risks

US



NiMo, Mass Gas
and Rhode Island
rate filings

UK



RIIO T2
preparations; future
governance of the
SO

Nominations Committee composition



**Sir Peter
Gershon**



**Jonathan
Dawson**



**Mark
Williamson**



**Nora
Mead Brownell**



**Paul
Golby**



**Pierre
Dufour**



**Ruth
Kelly**

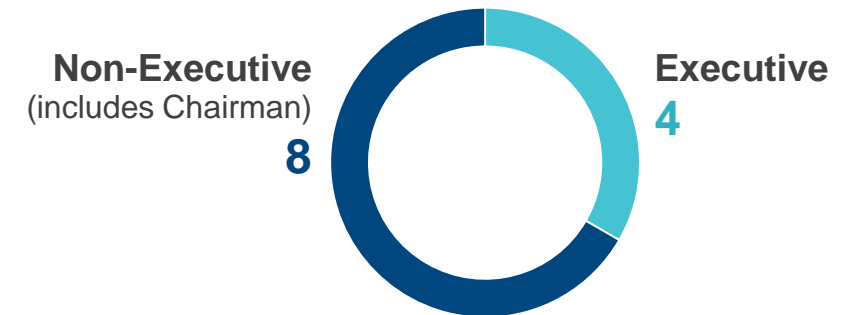


**Therese
Esperdy**

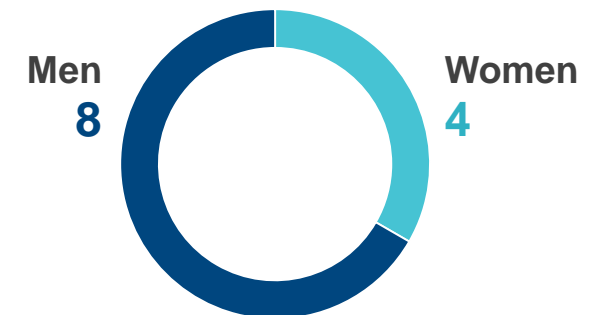
Nominations Committee review

- Senior appointments
 - John Pettigrew
 - Nicola Shaw
- Succession planning
- Board diversity
 - Experience, knowledge, thinking styles
 - Hampton-Alexander and Parker recommendations
 - Target of 33% women on the Board extended to Executive Committee and their direct reports

Executive and Non-executive Directors



Board gender



Committees – Safety, Environment and Health



**Paul
Golby**



**Nora
Mead Brownell**



**Pierre
Dufour**

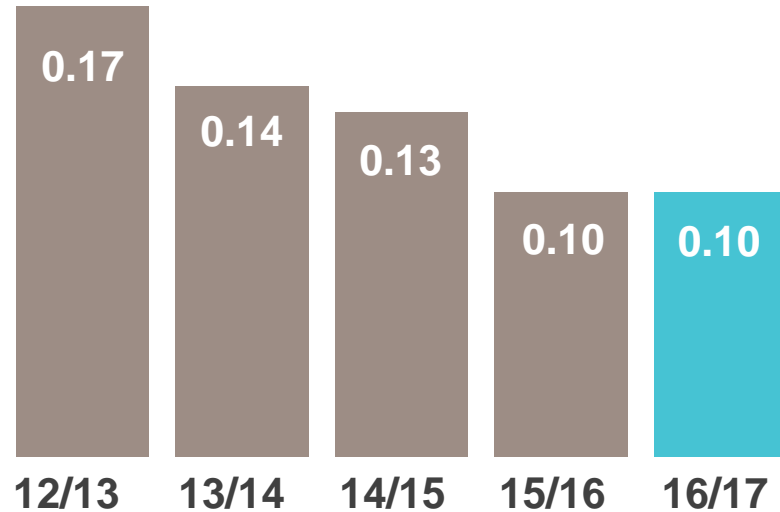
COMMITTEE ROLE

- **Safety**
lessons learnt from serious incidents, quality of training and initiatives, peer reviews and benchmarking
- **Environment**
cross company learning, company strategy and approach, specific incidents and lessons learnt
- **Health**
overview of key campaigns to promote employee health and wellbeing

Safety performance

- UK employee fatality a stark reminder of the importance of safety

Employee lost time injury frequency rate
per 100,000 hours worked



0.10

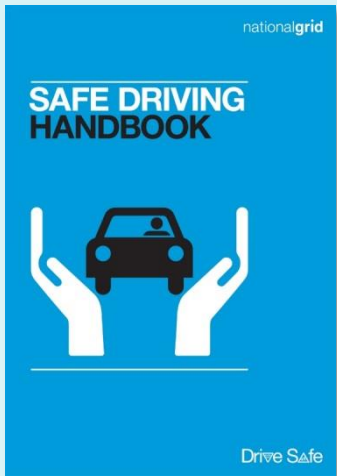
overall lost time injury
frequency rate - an
historic low level for
National Grid



Safety priorities

Safety focus areas, programmes and initiatives

Behavioural Safety



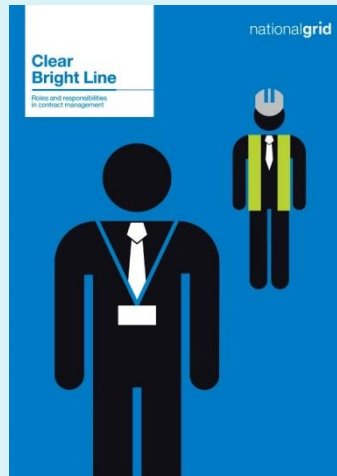
The cover of the 'SAFE DRIVING HANDBOOK' is blue with white text. It features the 'nationalgrid' logo at the top right and 'Drive Safe' at the bottom right. The central graphic shows a white car icon held between two white hands. The text 'SAFE DRIVING HANDBOOK' is prominently displayed in the center.

Process Safety



The cover of the 'Process safety - approach to managing major asset hazards' document is blue with white text. It features the 'nationalgrid' logo at the top right and 'January 2016' at the bottom right. The central image shows a photograph of industrial workers in safety gear at a facility. The text 'Process safety - approach to managing major asset hazards' is prominently displayed in the center.

Supply Chain



The cover of the 'Clear Bright Line' document is blue with white text. It features the 'nationalgrid' logo at the top right. The central graphic shows two stylized human figures: a larger one in a suit and a smaller one in a high-visibility vest and hard hat. The text 'Clear Bright Line' and 'Roles and responsibilities to contract management' is prominently displayed in the center.



Our Environmental performance and priorities

Climate change



45% reduction in GHG emissions by 2020


80% reduction by 2050

Responsible resource use



Reduce waste production by **30% by 2020**

Caring for our environment



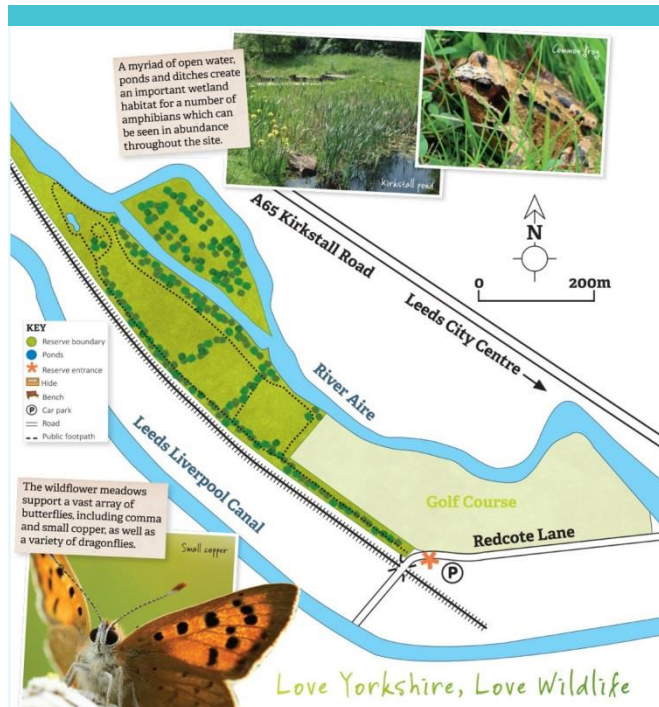
Recognise and enhance the value of our natural assets on at least **50 sites by 2020**

63%

Reduction in our scope 1 and 2 greenhouse gas emissions compared with our 1990 baseline



Environmental case studies



**Kirkstall Substation,
Leeds**



**Wimbledon
Substation**



**SF₆ replacement project
- Green Gas for Grid**

Health and wellbeing performance and priorities

- Focus on musculoskeletal disorders and mental wellbeing
 - 500 managers completed internationally recognised Mental Health First Aid course
- Year long campaign on raising awareness and testing for diabetes
- Live Brighter wellness programme in the US



Committees - Remuneration



**Jonathan
Dawson**



**Mark
Williamson**



**Nora
Mead Brownell**



**Pierre
Dufour**

Key agenda items for 2016/17

- Remuneration policy review - policy vote at 2017 AGM
- Annual and long term incentive plan targets and performance measurement
- Disclosures

Remuneration policy review

Inputs

- Key questions considered
- Through different lenses



Conclusions

- Overall structure remains appropriate and no changes to maxima
- Market leading personal shareholding requirement to remain, with 2 year holding period after vesting
- Largely share based payments continue
- Minor changes to regional EDs APP & LTPP metrics to sharpen regional focus on APP and collective performance in LTPP



Modifications to measures

- No change to CEO and CFO measures
- Minor changes to regional Executive Director plans:
 - APP: regional Value Added replaces adjusted EPS
 - LTPP: Group RoE replaces regional RoE portion

Impact of changes

- All Executive Directors focused through long-term plan on creating sustainable group value
- Streamlined so that all Executive Directors have same basis for measurement for LTPP
 - 50% weighting on Group RoE
 - 50% weighting on Group Value Growth
- Pay-for-performance clarity for UK and US Executive Directors
- Drives strong performance, continues to deliver an overall quantum of pay that is appropriate

Annual performance plan outcomes FY17

Proportion of maximum achieved

RETURN ON EQUITY

50-70%

INDIVIDUAL OBJECTIVES

78-84%

ADJUSTED EARNINGS
PER SHARE¹

100%

REDUCTION FOR
SAFETY INCIDENT

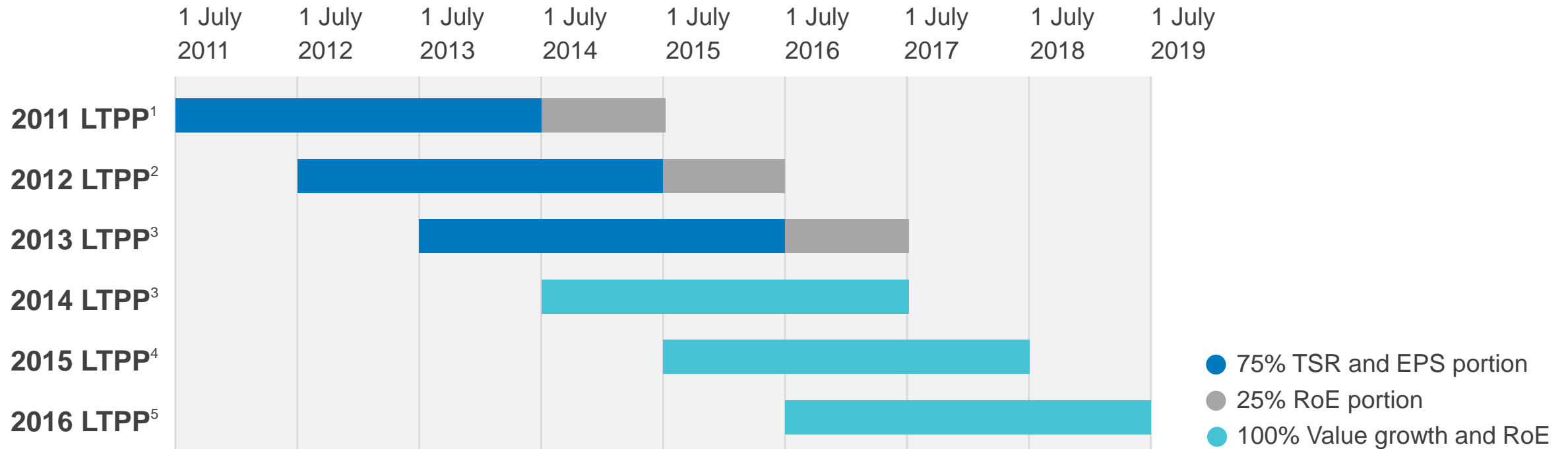
(10)%

FINAL AWARDS

86-94%

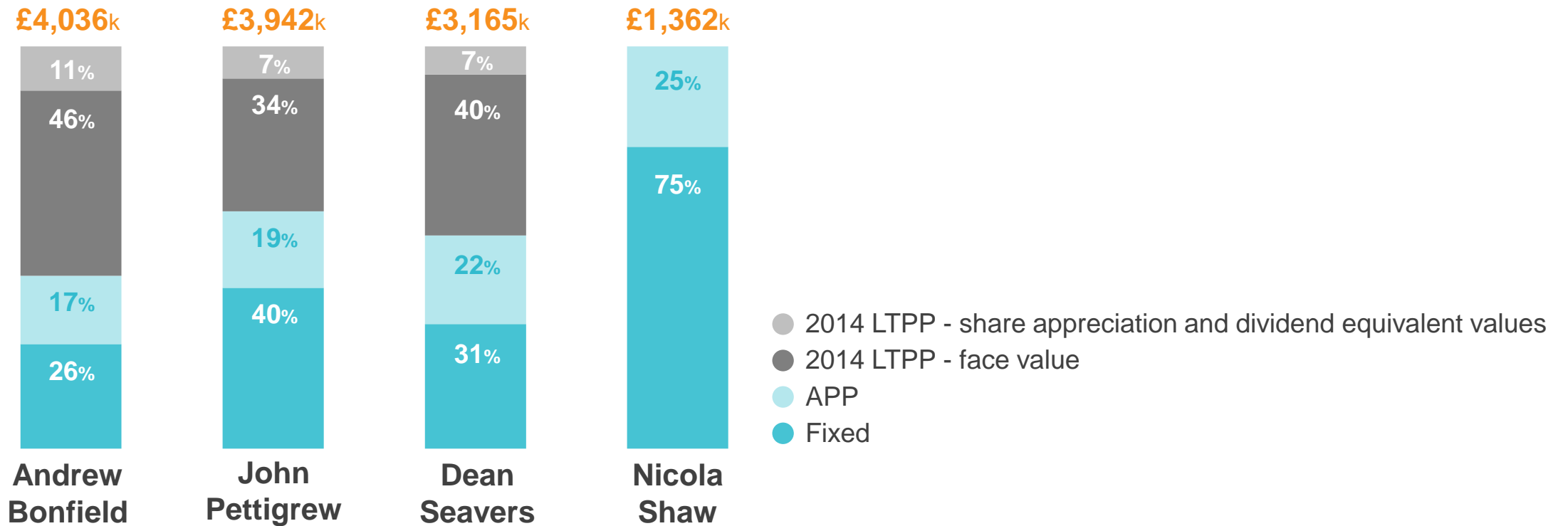
1. Adjusted as in prior years for timing, currency, scrip, and pension charges against budget. Also includes downward discretion for elimination of the windfall accounting gain relating to cessation of Gas Distribution depreciation. Results in adjusted EPS of 65.1p versus a reported of 73p.

Long term performance plan outcomes FY17

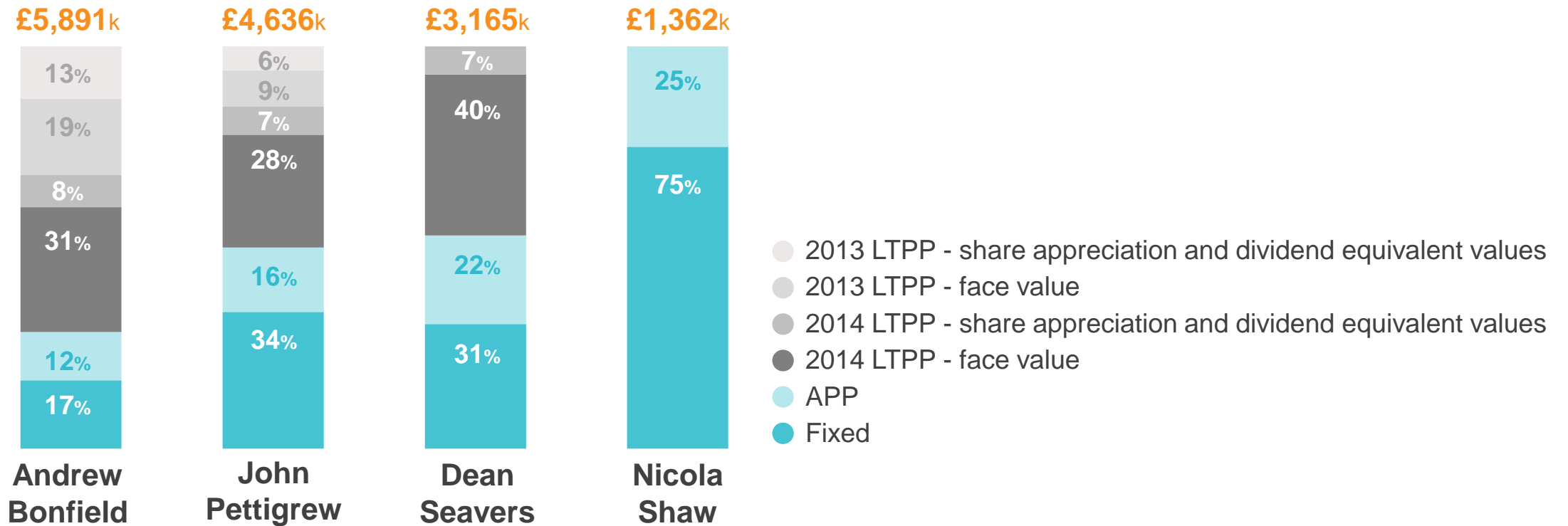


1. Shown in single figure total of remuneration table in 2015 report
 2. Shown in single figure total of remuneration table in 2016 report
 3. Shown in single figure total of remuneration table in 2017 report
 4. Shown in single figure total of remuneration table in 2018 report
 5. Shown in single figure total of remuneration table in 2019 report

Total reward FY17 (excluding 2013 LTPP)



Total reward FY17



Salaries and disclosure enhancements

- John Pettigrew and Nicola Shaw salaries increased 9%.
 - 2.6% consistent with wider managerial increase;
 - 6.4% discretionary due to low positioning against market and having met specific achievements
- 2.6% increase for Andrew Bonfield
- 2.5% increase for Dean Seavers
- Both in line with UK/US managerial increase
- Disclosure enhancements made to 2017 Annual Report, in line with our view of best practice



Committees – Finance



**Therese
Esperdy**



**Ruth
Kelly**



**Jonathan
Dawson**



**John
Pettigrew**



**Andrew
Bonfield**

COMMITTEE ROLE

- Sets policy, approves strategy and grants authority for:
 - financing decisions
 - credit exposure
 - hedging and foreign exchange transactions
- Oversight of tax, pensions and insurance activities

Finance Committee review 2016/17

- EU Referendum readiness
- Gas Distribution sale:
 - sectionalisation of the UK pension arrangements
 - restructuring of the existing UK debt portfolio
 - financing standalone UK Gas Distribution business
 - set up of new treasury team and banking group



Strong credit metrics support growth

NET DEBT

£19.3bn

- Before £4bn return of proceeds from Gas Distribution sale
- £2-3bn long-term debt issued each year

CREDIT RATING

A-

- A- at operating company
- BBB+ at NG plc
- International debt market access

AVERAGE MATURITY

~11 years

- 55% debt at fixed rates
- 25% RPI linked
- 20% Floating rate

Summary

- Year of significant milestones for National Grid
- Safety performance remains core to everything we do
- Fair and balanced approach to remuneration
- Board well positioned to support National Grid going forward

Q&A



**Sir Peter
Gershon**
Chairman



**Therese
Esperdy**
Non-Executive
Director



**Jonathan
Dawson**
Non-Executive
Director



Paul Golby
Non-Executive
Director

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