

Corporate Governance Report

Governance at a glance

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UK Corporate Governance Code (the ‘Code’) – 2023/24 Compliance Statement

The Company is subject to the Principles and Provisions of the Code, published by the Financial Reporting Council in July 2018 (available at frc.org.uk). For the year ended 31 March 2024, the Board considers it has complied in full with the Provisions of the Code. This Corporate Governance Report, taken as a whole, explains how the Company has applied the Principles and complied with the Provisions of the Code. The table below provides a guide to where the most relevant explanations are given:

Principles of the Code

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Details on information required for our US Securities and Exchange Commission (SEC) filing and the Form 20-F can be found on page 233.

Chair’s statement



Dear Shareholders,

I am pleased to present to you the 2023/24 Corporate Governance Report.

Recently, the Financial Reporting Council, in discussing the spirit of Code, observed that “a cogent explanation that offers transparency and demonstrates good governance is just as important as complying.” I believe this Annual Report as a whole will provide you with information as to how the Company is complying with the Code. However, I am using this Corporate Governance Report to give you a fuller sense – a cogent explanation – of how the Board operates on behalf of shareholders and other stakeholders.

Year in review – operations reviews and strategy

The Board’s primary focus is on the Group’s key strategic priorities and their execution. At each Board meeting, the Board reviews operational and financial highlights as a matter of course. But we have continued to adopt specific goals for the Board and a Board calendar which sets aside meaningful amounts of time to undertake ‘deep dives’ into areas of strategy. In 2023/24, we focused on the following broad areas: long-term strategic planning; business transformation and innovation; the positioning and delivery of our responsible business and net zero commitments; and succession planning and leadership capabilities.

Like most energy companies, we are challenged by the agenda of ‘the energy transition’, knowing that we can’t do everything. Thus, we must be clear about what it means for National Grid when we say we are “at the heart of the energy transition.” Given the scope of the ambition to decarbonise the economies of the UK and the US, all our businesses have opportunities for growth. But as a Board, we are responsible for approving the allocation of capital to deliver long-term value and returns. Throughout the year, we examined the investment needed in infrastructure to deliver not just the energy transition, but to maintain safe, affordable and reliable service, our primary obligation.

We've been briefed and have discussed and debated topics in line with our focus areas. This includes the reliability and availability of the supply chain and workforce skills and capabilities to deliver the energy transition, the organisational structure to deliver the large number of major capital projects, the related capital expenditure and future financing strategy, and our strategy to influence policy and regulation.

We again retained an independent advisor to assess the Board's effectiveness, with the keynote being honest conversations that focus on improving our processes and enhancing relationships to promote transparency. The findings from this effectiveness review helped to shape the Board's goals and practices. Further information can be found on page 86.

Employee engagement

In addition to our various Board and Committee deliberations, we've spent time with employees in a variety of settings. We have invited several levels of leadership within each of the business units to join the Board in informal discussions and heard from new leaders on their first impressions of the organisation. Board members routinely host small group discussions with a cross-section of employees, from those long-tenured to new joiners, from apprentices and trainees to managers of large teams. These discussions address various themes, ranging from specific business areas to DEI and culture. Directors are encouraged to undertake site visits – ranging from centralised technology and training centres to construction and maintenance work in progress. These visits allow the Board to gauge the temperament and culture of the various business units that make up National Grid as a whole, and to promote the principle of transparency and open communication.

The People & Governance Committee discussed our alternative Board workforce engagement arrangement of 'Full Board Employee Voice' and determined that it remains appropriate for the year ahead as it provides meaningful engagement across all parts of the business by all Directors.

Board composition and changes

Succession planning remains a key focus for the Board. As I've noted in earlier reports, the Board has changed in composition materially since the pandemic, as many Non-executive Directors reached the nine-year mark of their tenure. As such, the People & Governance Committee has had a full agenda on planning for Director succession, balancing various considerations, including: the need for specific skills at any point in time in the evolution of the business; staggering Board service so that multiple Directors aren't joining or departing at the same time; and ensuring diversity of gender, ethnicity and background to enable collaboration and constructive challenge in the boardroom. This past year was no exception, as we made changes in Board composition and Committee responsibilities.

As noted elsewhere, Thérèse Esperdy stood down as a Director on 31 December 2023, following more than nine years on the Board. Thérèse was an exceptional Director and I know I speak on behalf of the entire Board in saying that her presence is missed, professionally and personally. Ian Livingston, who joined the Board in 2021, succeeded Thérèse as our Senior Independent Director. Changes to the Chair roles of our Committees included Ian succeeding Thérèse as Chair of the Finance Committee and stepping down as Chair of the Remuneration Committee, and Martha Wyrsh succeeding Ian as Chair of the Remuneration Committee.

In January 2024, I was pleased to welcome Jacqui Ferguson to the Board as an independent Non-executive Director. Jacqui brings to the Board a broad perspective from her experience and knowledge of large-scale, growth-oriented technology environments. In the same month, Liz Hewitt stepped down from the Board as she had assumed governance responsibilities elsewhere. I am grateful to Liz for her service and for her efforts to enhance the Board's stewardship of risk and controls during her tenure as Chair of the Audit & Risk Committee.

Since the People & Governance Committee has an active process of recruitment ongoing – and as the Company's business priorities change over time – I expect that we will continue to recruit new Directors. We remain ambitious in ensuring that we have a diverse Board as well as a diverse leadership complement.

Other stakeholder engagement

As Chair, I have met a range of investors during the year as part of our comprehensive investor relations programme. Our Committee Chairs are also available to engage with investors and investor bodies on areas within their remit. The Board has met with various senior government officials and regulators at Board meetings so that we can understand their issues and concerns first-hand.

Further information on the Board's engagement with our key stakeholders can be found in the 'Board engagement' section on pages 85 to 86.

The Board was pleased to respond to the government's consultation on changes to the UK Corporate Governance Code, which will apply for our financial year beginning 1 April 2025.

AGM

I look forward to welcoming shareholders to our AGM, which will be held in Warwickshire on 10 July 2024. This will be a hybrid meeting, providing the opportunity for shareholders to join online or in person. Further details can be found in the Notice of AGM, which will be published in due course and made available on our website.

Looking forward

Alongside the Board's approval of the new five-year financial framework, which includes a significant increase in investment, it approved a fully underwritten Rights Issue. This is an unprecedented time for our industry that is creating significant opportunities for National Grid today, over the next five years and for decades to come. As a Board, we remain focused on the key matters of strategic importance to the business and providing both support and challenge to the executive team to ensure the long-term sustainable success of the business.

Paula Rosput Reynolds

Paula Rosput Reynolds
Chair



Paula Rosput Reynolds visiting our Smart Path Connect Project near Boonville, New York, which is an under construction 345 kV transmission project.

Corporate Governance overview

We have a high-functioning, diverse and balanced Board. Our governance framework ensures that the Board is effective in its decision making and in its oversight of the Group's activities, complementing our values of do the right thing, find a better way and make it happen.

Governance structure



The schedule of matters reserved for the Board and the Terms of Reference for each of our Board Committees are available in our Board Governance document.

Our governance framework

Board of Directors

Collectively responsible for the effective oversight of the Group. It determines the Group's strategic direction and objectives, business plan, dividend policy, viability and governance structure to help achieve long-term success and deliver sustainable shareholder value. It also plays a major role in setting and leading the Group's culture and sustainability goals. It considers key stakeholders in its decision making and, in doing so, ensures that Directors comply with their duty under section 172 of the Companies Act 2006 (see pages 82 and 83).

To operate efficiently and enable appropriate oversight and consideration over relevant matters, the Board delegates certain responsibilities to the Board Committees.

Each Committee Chair reports to the Board on their respective Committee's activities after each meeting, and papers and minutes are available to all Directors unless there is an actual or perceived conflict of interest.

People & Governance Committee

P

Reviews the structure, size and composition of the Board and its Committees, and advises the Board on its succession planning and that of the Group Executive Committee. It ensures that the Board is diverse, with the appropriate balance of skills, experience, diversity, independence and knowledge, and oversees the effectiveness of the Board's workforce engagement strategy. It monitors the Board's corporate governance framework.



Committee report – **pages 88 – 89**

Audit & Risk Committee

A

Assists the Board in discharging its responsibilities for the integrity of the Company's financial statements, risk management, assessment of the effectiveness of internal controls, and internal and external audit.



Committee report – **pages 90 – 95**

Safety & Sustainability Committee

S

Assists the Board in fulfilling its oversight responsibilities in respect of safety and sustainability, which includes reviewing and challenging the related strategy, targets and performance of the Group.



Committee report – **page 96**

Finance Committee

F

Monitors the financial risk of the Group and sets the finance policy.



Committee report – **page 97**

Remuneration Committee

R

Determines the remuneration framework for the Chair, Executive Directors and Group Executive Committee members, and oversees the remuneration practices and policies for the wider workforce.



Committee report – **pages 98 – 114**

Board composition and roles

As at the date of this report, our Board comprises a Non-executive Chair (independent on appointment), two Executive Directors (Chief Executive and Chief Financial Officer) and eight independent Non-executive Directors. There is a clear division of responsibilities between the Chair, the Chief Executive and the Senior Independent Director.



The key responsibilities of each role are set out in our Board Governance document: nationalgrid.com/about-us/corporate-information/corporate-governance



Biographies of each of our Directors can be found on **pages 78 and 79**.



Group Executive Committee and other management committees

Our Group Executive Committee oversees the safety, operational and financial performance of the Company. It is responsible for making the day-to-day management and operational decisions it considers necessary to safeguard the interests of the Company and to execute the strategy, business objectives and targets established by the Board.



Biographies for the Group Executive Committee members: nationalgrid.com/about-us/our-leadership-team/the-executive-committee

The Group Executive Committee is supported by several management committees, including:

Safety, Health & Sustainability Committee

Reviews and manages Group-wide safety, environment and health tracking/monitoring and related decisions.

Reputation & Stakeholder Management Executive Committee

Assesses the broader external context in which the Company operates and provides strategic oversight for external engagement.

Ethics, Risk & Compliance Committee

Oversees the implementation of the Group's risk management and compliance framework and assessment of the Group's principal risks.

Policy & Regulation Committee

Agrees and provides strategic oversight of Group public policy priorities and positions.

Investment Committee

Has delegated authority to approve investment decisions across the Group.



Left to right: John Pettigrew, Andy Agg, Alice Delahunty, Carl Trowell, Cordi O'Hara, Rudolph Wynter, Lisa Wieland, Katie Jackson, Justine Campbell, Talvis Love, Ben Wilson, Courtney Geduldig and Will Serle.

Our Board

Key

 Audit & Risk Committee	 Remuneration Committee	 Committee Chair
 Finance Committee	 Safety & Sustainability Committee	Biographies, tenure and age as at 22 May 2024
 People & Governance Committee	 Group Executive Committee	



Paula Rospud Reynolds (67)
Chair

Appointed: Chair with effect from 31 May 2021 and to the Board on 1 January 2021
Tenure: 3 years

Skills and competencies: Paula brings a wealth of board-level experience to National Grid, having led global companies in the energy and financial sectors. She has over 20 years' experience as a Non-executive Director in both the UK and US across multiple sectors and businesses and has brought a strategic and regulatory lens on issues to the Board. During her career, Paula has played a vital role with several company-wide transformations and mergers. She is recognised for having transformed AGL Resources from a local utility into a multi-state energy and telecommunications company and for materially enhancing the operating and financial performance of Safeco Corp, a US insurance company that was ultimately acquired by Liberty Mutual.

External appointments:

- Non-executive Director of GE Vernova and Chair of the Safety & Sustainability Committee
- Non-executive Director of Linde plc



John Pettigrew (55)
Chief Executive

Appointed: Chief Executive with effect from 1 April 2016 and to the Board on 1 April 2014
Tenure: 10 years

Skills and competencies: John has extensive experience in the utility sector. He joined National Grid as a graduate in 1991 and has progressed through many senior management roles. As Chief Executive, John is responsible for executive leadership and day-to-day management of the Group, bringing significant know-how and commerciality to ensure delivery of the strategy. He has delivered transformational organisational and portfolio change, positioning National Grid strongly for the energy transition. John engages widely with governments, policy makers and other stakeholders, helping to shape energy policy. He is a Fellow of the Energy Institute and of the Institution of Energy and Technology.

External appointments:

- Senior Independent Director of Rentokil Initial plc



Andy Agg (54)
Chief Financial Officer

Appointed: 1 January 2019
Tenure: 5 years

Skills and competencies: Andy trained and qualified as a chartered accountant with PricewaterhouseCoopers and is a member of the Institute of Chartered Accountants in England and Wales. Joining National Grid in 2008, Andy has significant financial experience and commercial acumen, having held a number of senior finance leadership roles across the Group, including Group Financial Controller, UK Chief Financial Officer and Group Tax and Treasury Director. Andy has in-depth knowledge of National Grid, in both the UK and the US, and has broad experience across operational and corporate finance roles, including a proven track record of leading and delivering value-creating strategies, significant transformation programmes, and significant transactional experience. Andy is also a member of the 100 Group Main Committee and Chair of the Tax Committee contributing to domestic and international finance and regulatory matters.

External appointments:

- Non-executive Director of Weir Group plc



Ian Livingston (59)
Senior Independent
Non-executive Director

Appointed: 1 August 2021
Tenure: 2 years

Skills and competencies: Ian brings a wealth of experience to National Grid, having been both CEO and CFO of BT Group plc, and CFO of Dixons Group. In addition to a highly successful executive career, he has also had extensive non-executive experience in large UK and US public companies as board, audit and remuneration committee chair.

Ian also has significant experience of large, regulated companies operating in both the UK and internationally. He is a member of the House of Lords and has also previously served in the UK government as Minister of State for Trade and Investment. He is a qualified Chartered Accountant.

External appointments:

- Non-executive Director of S&P Global Inc.
- Chair of BGF Group plc
- Member of the House of Lords



Anne E. Robinson (53)
Independent
Non-executive Director

Appointed: 19 January 2022
Tenure: 2 years

Skills and competencies: Anne has over 20 years' legal experience in the financial services industry, where she has counselled senior executives on a wide range of legal, regulatory and business issues. She currently serves as Managing Director, General Counsel and Corporate Secretary of the Vanguard Group, Inc. Anne brings to the Board expansive and varied legal experience in the financial services and consulting fields as well as experience of working closely with boards and investors on a broad range of ESG issues. Anne earned a BS from Hampton University and a JD from Columbia University Law School and is an advocate for sponsorship and mentorship of other women in the legal profession.

External appointments:

- Managing Director, General Counsel and Corporate Secretary of The Vanguard Group, Inc.



Earl Shipp (66)
Independent
Non-executive Director

Appointed: 1 January 2019
Tenure: 5 years

Skills and competencies: Earl has substantial experience in the global industrial and energy sectors as an Executive and Non-executive Director. With a career of over 40 years in the chemical industry, he has a track record of successfully leading transformative growth projects and driving pioneering technology innovation.

Earl is a former chair of the US Federal Reserve Bank of New Orleans and was a member of the Federal Reserves Energy Advisory Committee for several years. He has an enhanced knowledge of cyber risk having graduated from the Carnegie Mellon University Cyber-Risk Oversight Program for Corporate Directors.

External appointments:

- Non-executive Director of Olin Corporation
- Non-executive Director of Great Lakes Dredge and Dock Co.



Jonathan Silver (66)
Independent
Non-executive Director

Appointed: 16 May 2019
Tenure: 5 years

Skills and competencies: Jonathan has considerable knowledge of the US-regulated energy environment, and experience and understanding of integrating public policy and technology into a utility. Jonathan's previous work in the US Department of Energy included leading the federal government's \$40 billion clean energy investment fund and a \$20 billion fund focused on electric vehicles. Jonathan's strong background in finance and government policy, along with his long career at the intersection of policy, technology, finance and energy brings innovative insight to the Board's policy discussions and to its interaction with management.

Jonathan's former roles include consultant at McKinsey in the Financial Institutions practice, COO of Tiger Management, Senior Advisor to Guggenheim Securities and Senior Policy Advisor to the US Secretary of Commerce and the US Secretary of the Interior.

External appointments:

- Non-executive Director of Intellihot, Inc.
- Advisor at Apollo Global Management, Inc.



Tony Wood (58)
Independent
Non-executive Director

Appointed: 1 September 2021
Tenure: 2 years

Skills and competencies: Tony has proven business leadership credentials as an experienced Chief Executive and brings to the Board significant engineering experience. Tony is also a Fellow of the Royal Aeronautical Society. He was most recently Chief Executive of Meggitt plc and led the operational and cultural transformation of the company, transitioning from an industrial holding structure to a focused and customer-led business, leveraging technology investment.

Tony was formerly President of the Aerospace division of Rolls Royce plc and developed a strong reputation as an operator, turning around and growing several challenging business units and internationalising the company's footprint.

External appointments:

- Non-executive Director of Airbus SE



A

Jacqui Ferguson (53)
Independent
Non-executive Director

Appointed: 1 January 2024

Tenure: Less than a year

Skills and competencies: Jacqui has significant non-executive experience in complex science and technology-centric businesses and in her executive career as a divisional CEO in the technology industry. She has global broad business experience, including in mergers and acquisitions, and has worked across numerous international and emerging markets. Jacqui has expertise in leading technology-enabled transformations, digital, cyber security, technology and business process solutions. Jacqui has formerly held various senior positions with Hewlett Packard (HP), including Chief of Staff to the Chairman and CEO, SVP HP Enterprise Services, Electronic Data Systems (which was acquired by HP) and KPMG.

External appointments:

- Chair of Tesco Bank
- Senior Independent Director and Remuneration Committee Chair of Croda International plc
- Senior Independent Director at Softcat plc



A F R

Iain Mackay (62)
Independent
Non-executive Director

Appointed: 11 July 2022

Tenure: 1 year

Skills and competencies: Iain has significant financial experience, gained in a range of sectors and operating in regulated environments globally. He was most recently Chief Financial Officer at GSK plc, where he was responsible for several of its key global functions, including Finance, Investor Relations and Technology. Prior to this, Iain was Group Finance Director at HSBC Holdings plc for eight years, working across Asia, the US and Europe, and previously worked at General Electric, Dowell Schlumberger and Price Waterhouse. Iain's extensive background knowledge and financial expertise allow him to effectively chair the Audit & Risk Committee. Iain is a member of the Institute of Chartered Accountants of Scotland, holds an MA in Business Studies and Accounting, and received an Honorary Doctorate from Aberdeen University in Scotland.

External appointments:

- Non-executive Director of Schroders plc
- Non-executive Director of UK Government Investments Ltd



R S

Martha Wyrsch (66)
Independent
Non-executive Director

Appointed: 1 September 2021

Tenure: 2 years

Skills and competencies: Martha has held a number of senior positions in the energy industry and has significant experience of the US market. She has served as General Counsel of energy and utility companies and was CEO of the divisions of major energy companies, including a major international gas transmission business, as well as leading the growth and development of the renewables business of Vestas in the US.

As an accomplished Director for publicly listed companies in both the UK and the US, Martha brings to the Board relevant experience across the renewable energy sector, as well as a strong understanding of the US regulatory environment, having previously held leadership roles in large US-regulated utility businesses.

External appointments:

- Director of Quanta Services, Inc.
- Director of First American Financial Corp



E

Justine Campbell (53)
Group General Counsel
& Company Secretary

Appointed: 1 January 2021

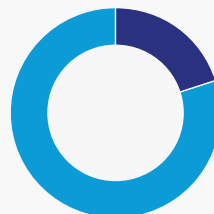
Tenure: 3 years

Skills and competencies: Justine served as Group General Counsel and Company Secretary at Centrica plc, a leading energy retail and trading company with operations in the UK and US. She has particular expertise in heavily regulated sectors, having held senior executive positions with responsibility for legal, regulatory, risk, compliance and public affairs at international telecommunications companies Telefonica and Vodafone. Justine qualified as a corporate lawyer at Freshfields and spent a number of years advising on regulatory and anti-trust matters in both London and Brussels. Justine is responsible for safety, legal, risk, compliance and corporate governance activities across the Group.

External appointments:

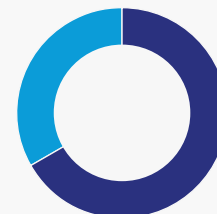
- Member of the GC100 Group Executive Committee

Board independence¹



- ◆ Executive 2 (20%)
- ◆ Non-executive 8 (80%)¹

Non-executive Directors' tenure



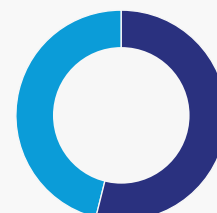
- ◆ 0 – 3 years 6 (67%)
- ◆ 3 – 6 years 3 (33%)

Board gender representation



- ◆ Male 7 (64%)
- ◆ Female 4 (36%)

Senior management² gender representation



- ◆ Male 7 (54%)
- ◆ Female 6 (46%)

1. Excludes Chair, who was independent on appointment.
2. In accordance with the Code, senior management is defined as the ELT (including the CEO, CFO and the Company Secretary).

Board meeting attendance

The table below sets out Directors' attendance at the six scheduled Board meetings held during the year ended 31 March 2024. One ad hoc meeting was held during the year.

Directors	Attendance
Paula Rosput Reynolds ●	6/6
John Pettigrew	6/6
Andy Agg	6/6
Ian Livingston	6/6
Jacqui Ferguson ¹	2/2
Iain Mackay	6/6
Anne Robinson	6/6
Earl Shipp	6/6
Jonathan Silver	6/6
Tony Wood	6/6
Martha Wyrsch ²	5/6
Former Directors	
Thérèse Esperdy ³	4/4
Liz Hewitt ⁴	4/5

● Board Chair

1. Jacqui Ferguson joined the Board on 1 January 2024 and attended all meetings held after her appointment.
2. Martha Wyrsch was unable to attend a Board meeting in May 2023 due to a serious family illness. She received all Board papers and had the opportunity to provide comments to the Board prior to the meeting.
3. Thérèse Esperdy stepped down from the Board on 31 December 2023.
4. Liz Hewitt stepped down from the Board on 31 January 2024. She was unable to attend the Board meeting in May 2023 due to a prior commitment. She received all Board papers and had the opportunity to provide comments to the Board in advance of the meeting.

Board focus during the year

Our Board is collectively responsible for the effective oversight of the Company and its businesses. It is responsible for establishing the Company’s strategy, purpose, values and culture.

To help it achieve this aim, the Board has a structured agenda set around strategy, performance, people and culture, and risk, controls and governance. The Board considers key stakeholders in its decision making and, in doing so, ensures that Directors comply with their duty under section 172 of the Companies Act 2006 (see our Section 172(1) Statement on page 82).

Our stakeholders considered in Board discussions



Strategy	
Strategic priorities	The Board spent time discussing the Group’s future strategy and strategic priorities (see page 10) and the execution against those in place for 2023/24 as well as transformation activities. External insights were provided throughout the year to enhance the Board’s understanding of different stakeholder perspectives and to increase knowledge on the industry and macro issues impacting the business in both the UK and the US. This included discussions with external advisors and stakeholders, including regulators, government and investors.
Financial Strategy and Strategic Business Plan 2023 (SBP23)	<p>The Board, with the support of the Finance Committee, considered the financing strategy of the Group in light of its future capital investment plans.</p> <p>The Board discussed and approved the SBP23 and the annual budget for 2024/25. In November 2023, it approved the updated five-year financial framework for the period from 2021/22 to 2025/26 and in May 2024, the five-year financial framework for the period from 2024/25 to 2028/29.</p> <p>The Board considered and discussed a number of matters in relation to the proposed Rights Issue, including being updated on the progress of the different workstreams and impact on stakeholders. On 22 May 2024, the Board approved the fully underwritten Rights Issue.</p>
Dividend	The Board considered and approved the 2023/24 interim dividend and the dividend policy, and recommended the proposed 2023/24 final dividend to shareholders. See page 73 for further information.
Responsible business and commitments	<p>The Board, via the Safety & Sustainability Committee, discussed our responsible business commitments as set out in our updated Responsible Business Charter, including key strategic enhancements to keep pace with stakeholder expectations. It oversees our sustainability strategy and progress in this area, which is reported to the Board.</p> <p>On the recommendation of the Safety & Sustainability Committee, the Board approved 1.5°C-aligned near-term emissions targets and the CTP (see page 38). The CTP will be put to an advisory shareholder vote at the 2024 AGM.</p>
Regulatory strategy	<p>The Board considered the strengthening of regulatory strategy to influence policy and regulation to enable delivery of the energy transition.</p> <p>The Board was updated on upcoming UK price controls and rate case filings in the US. This included undertaking a review with management of the rate case filing for the multi-year rate settlement for our two downstate New York gas distribution businesses, KEDNY and KEDLI, and subsequent progress towards a joint proposal with the New York Public Service Commission. In addition, the Board was updated on the Massachusetts Electric (MECO) rate filing which was submitted in November 2023.</p>
ESO separation	The Board was kept updated on progress of the work that was being undertaken in preparation for the separation of the ESO from the Group. Further to the enactment of the Energy Act 2023, the Board was kept updated on the progress of the transaction and discussions with UK government.

Execution of strategy

Performance and execution of strategy

The Board continued to keep under review the Group's portfolio to ensure we are best positioned to drive value for our shareholders. The Board received regular updates from the Chief Executive on overall performance, operations and progress against strategic initiatives. As part of monitoring the performance of the Group, the Board also received updates from each business unit on their performance and strategic priorities, and spent time discussing the opportunities and risks facing each of our businesses, particularly given the evolving regulatory, political and macro landscape and stakeholder sentiment, and how we are managing these. It further considered how we are building the transmission networks for the future and the related opportunities and challenges.

Further to the refreshed strategy to be a pre-eminent pureplay networks business, the Board agreed to the commencement of a sale process in relation to Grain LNG and National Grid Renewables.

Major capital projects

The Board spent time discussing the Strategic Infrastructure business unit organisational structure and its progress on the 17 projects being delivered under the ASTI framework (as awarded by Ofgem). It was also mindful of how the teams are working with impacted communities as we develop the critical infrastructure needed in the UK as part of The Great Grid Upgrade, for example, along the East Coast. It was also kept updated on the progress of other major capital projects across the Group.

Financial performance

The Board was updated by the CFO at each meeting on the current financial performance for the period against budget and the full-year outlook.

The Board considered and approved the half-year and full-year results, including any external guidance and the Viability Statement and five-year outlook.

The Board received regular reports on our top investors, movements in the share register, share price performance and how we are engaging with institutional investors and analysts. The interaction with debt investors is discussed by the Finance Committee.

Ethics, compliance and litigation

The Board received updates on material current and potential litigations or disputes, and considered the likely impact on the Group's stakeholders and reputation. Through the Audit & Risk Committee, it was kept updated on any ethics and compliance investigations, including all material issues reported via either of the Group's confidential helplines – the internal helpline and the external 'Speak-up' helpline.

People and culture

Safety

The Board, with the support of the Safety & Sustainability Committee, monitored safety performance during the year. Updates were provided on the ongoing investigation on the fatality at Ludlow in UK ED and how learnings have been used to continue to develop the safety culture across UK ED and the Group. Following the fatalities at Waltham, Massachusetts, the Safety & Sustainability Committee was provided with an update on a review of work zone safety practices and future enhancements.

Culture

The Board monitored and assessed both the culture of the Group and its alignment with the Company's purpose, values and strategy (see page 84). The Board also heard from new leaders on their first impressions of the organisation.

Capabilities and succession

The Board, through the People & Governance Committee, considers leadership, capabilities, development and succession planning across the organisation as well as changes to the Board and Group Executive Committee. On the recommendation of the People & Governance Committee, the Board approved the appointment of Jacqui Ferguson to the Board as a Non-executive Director (see page 87) and changes to the composition of the Committees and Committee Chairs.

Risk, controls and governance

Review and approval of GPRs and emerging risks

The Board, with the support of the Audit & Risk Committee, assessed the effectiveness of the Group's internal control and risk management processes. Together with the Board Committees, it assesses the GPRs as well as the emerging risks and changes to these and how we manage and mitigate them (see pages 22 – 30).

As part of deepening the Board's understanding of the Group's cyber security risk, it met with representatives from the US Cybersecurity and Infrastructure Security Agency (CISA) and visited the Cyber Operations Centre in Massachusetts, as well as meeting with both the National Grid US and UK security teams.

Reporting

The Board considered the Annual Report, which was subsequently approved on the recommendation of the Audit & Risk Committee (see page 90), on the basis that, taken as a whole, it was fair, balanced and understandable, and provided the information necessary for shareholders to accurately assess the Group's position and performance, business model and strategy. It also considered and approved the Form 20-F. The Board approved the Responsible Business Report on the recommendation of the Safety & Sustainability Committee.

Key decisions and engagement

Effective engagement with our stakeholders is key to successful achievement of the Group’s long-term strategy.

Section 172(1) Statement

During the year, the Directors acted in the way they considered, in good faith, was most likely to promote the long-term success of the Company for the benefit of its members as a whole, with due regard to stakeholders and the matters set out in section 172 of the Companies Act 2006.

The Board recognises its responsibilities to each of the Group’s stakeholder groups and to wider society. The Directors endeavour to ascertain the interests and views of our stakeholders and consider these when making decisions.

The Board acknowledges its responsibility for setting and monitoring the culture and values of the Group and the importance of maintaining a reputation for high standards of business conduct. Every day our colleagues seek to live by our values – do the right thing, find a better way and make it happen – and consider these in making decisions. When making key decisions, the Directors have regard to all stakeholders but also acknowledge that not every decision will have the preferred outcome for each stakeholder.

The Board strives to balance the different and competing priorities and interests of the Group’s stakeholders in a way compatible with the long-term, sustainable success of the business and which maintains a standard of business conduct aligned to our values and purpose.

Pages 80 – 86 comprise our Section 172(1) Statement.



Further details on how we engage with our stakeholders can be found on **pages 42 – 43**



Our Board’s engagement is detailed on **pages 85 – 86**

How the Board had regard to Section 172 matters

Section 172	Key examples
A The likely consequence of any decision in the long term	Our strategy and business model, pages 4 – 5 and pages 16 – 17
B The interests of the Company’s employees	Workforce engagement, page 85 Our people, page 40
C The need to foster the Company’s business relationships with suppliers, customers and others	Our commitment to being a responsible business, pages 37 – 41 Our stakeholders, pages 42 – 43
D The impact of the Company’s operations on the community and the environment	Our commitment to being a responsible business, pages 37 – 41 Our stakeholders, pages 42 – 43 TCFD, pages 44 – 58
E Maintaining a reputation for high standards of business conduct	Our commitment to being a responsible business, pages 37 – 41 Our stakeholders, pages 42 – 43 Corporate Governance overview, page 76
F The need to act fairly as between members of the Company	Our stakeholders, pages 42 – 43 Shareholder engagement, page 86

Key decisions taken during the year

The following table provides examples of decisions taken by our Board during the year which demonstrate how section 172 has been taken into account as part of Board discussions and decision making. The Board's key focus areas for 2023/24 can be found on pages 80 and 81.

Our stakeholder groups



Colleagues



Investors



Regulators



Communities



Customers



Suppliers

Adopting 1.5°C-aligned near-term science-based targets

Section 172 considerations



Context

The Board considered whether to approve the adoption of 1.5°C-aligned near-term science-based targets, and aligning our long-term net zero target to a 2040 target date, increasing our ambition to mitigate our impact on climate change from our own emissions. Since 2021, we have had well below 2°C-aligned near-term science-based targets alongside our 2050 net-zero target.

The Safety & Sustainability Committee reviewed and considered the 1.5°C targets recommended by the SBTi and the 2040 target date required if aligning to the SBTi net-zero standard. In reviewing these targets, the Directors took into consideration the requirements of new near- and long-term targets and their likely strategic impact. The Directors also took into consideration the views of investors, customers, communities and governments, and the impact on all stakeholders and the wider environment in working to reduce the Company's emissions.

Stakeholder groups considered



Decision taken

Although the lack of a SBTi gas sector specific pathway and the SBTi requirement for companies classed as electric utilities to be net zero by 2040 meant that the Company is unable to align to the SBTi long-term net zero standard, the Directors agreed that it was important to adopt the new near-term targets aimed at limiting temperature increases to 1.5°C. These near-term targets are considered to be consistent with our business strategy and our role in enabling the energy transition. We are actively engaging with SBTi on the evolution of their net zero standard.

Given the decision to approve new near-term emissions reduction targets, it was also agreed to update our CTP, setting out our plans, actions and assumptions to achieve these targets.

Outcome

The Company has set, and is working towards, targets to reach net zero by 2050. Working to these new targets will mean greater reductions in our Scope 1, 2 and 3 emissions, which are aligned with our strategy and investment programmes across the Group. Shareholders will be invited to vote on a non-binding advisory resolution on the updated CTP at the Company's 2024 AGM.

Responsible Business Charter (RBC)

Section 172 considerations



Context

Our RBC, which was first published in 2020, sets out our commitments to responsible business. In 2023, the RBC was reviewed and changes were discussed with the Safety & Sustainability Committee.

Stakeholder groups considered



Decision taken

In 2023, the Safety & Sustainability Committee reviewed and considered the refreshed RBC, which set out the Company's updated responsible business commitments focusing on three pillars of our environment, our customers and communities, and our people. The RBC was revised to reflect changes in our operations and environment, and simplified to ensure that it focused on the matters of key importance for us and our stakeholders. In reviewing the refreshed RBC, the Directors considered the impact of the RBC on each of the key stakeholders and their expectations in respect of our responsible business commitments.

Outcome

The refreshed RBC and the commitments therein was considered by the Safety & Sustainability Committee and the Board and published in September 2023. The RBC, which will be published online in due course, reports progress against our commitments laid out in the refreshed RBC. By embedding our commitments into our business operations, we aim to continuously drive progress towards our responsible business goals.

How the Board monitors culture

The Board plays a significant role in monitoring and assessing both the culture of the Group and its alignment with the Company's purpose, values and strategy. It is supported by the People & Governance Committee, which identifies opportunities to strengthen culture, and the capabilities that underpin it, in a way that serves the future strategic goals of the Company.

The Board, through the People & Governance Committee, considers the leadership capabilities, development and succession planning across the organisation. Following each People & Governance Committee meeting, the Committee Chair reports back to the full Board, providing the opportunity for all Directors to actively engage in monitoring the Company's culture. The Board assesses the Company's culture and the progress being made from two key data sources:

- lagging indicators from the Grid:voice employee engagement survey and the Spencer Stuart culture diagnostic; and
- leading indicators taken from the culture change activity underway across the organisation.

Grid:voice colleague engagement survey

The findings of this year's Grid:voice survey were encouraging. Our engagement remains high, with 78% of colleagues taking part in our Grid:voice survey, the highest number of responses we have ever had. Engagement and advocacy scores remain very strong, with our overall employee engagement index score at 81% favourable, four points higher than the high-performing norm in the Korn Ferry benchmark*. Our colleagues also say they can talk openly to their manager across a range of topics, including their safety and wellbeing, and that the sense of care colleagues feel is a strength of the Company's culture.

* The Korn Ferry benchmark comprises the average survey scores from over 700,000 employees in 55 high-performing organisations around the world in a variety of industries.

The tone set from the top by leaders and line managers across the organisation has significant influence on engagement. Recognising this, the Company's 'leadership index' sets expectations for leadership behaviour and provides actionable insight for leaders to focus development that has a positive impact on their immediate team. In 2023/24, we saw continued progress to demonstrate leaders behaved in line with our values, either in accordance with or above our expectations. We have a number of programmes to help our leaders achieve their potential and drive company performance. Our future leaders, experienced leaders and executive potential programmes help us develop leaders who are capable and equipped to lead the transformational change needed to deliver the clean energy transition.

Culture diagnostic

Our 'purpose' remains embedded as a core behaviour of the organisation and featured prominently within our culture diagnostic work.

To help us achieve our vision for a clean, fair and affordable energy future, we have strengthened our culture to become more purpose-led and results-driven. Through our annual culture diagnostic in January 2024, we have seen that a focus on results is the leading characteristic, while a sense of purpose and responsibility is deeply ingrained in our core behaviours – it's just how it feels to work at National Grid. This has been the result of deliberate focus in recent years and is an important underpin for company performance and our impact on society as a force for good.

Leading indicators of change

In addition to quantitative data and insight from our culture diagnostic and Grid:voice engagement survey, the Board monitors activities that are helping to shape our values-led culture and drive company performance.

Our established Appreciate Recognition scheme allows colleagues to recognise peers who have demonstrated our values in their work. Living our Values is an initiative that amplifies the stories of those who have gone above and beyond as role models of our values, culminating in an awards programme to recognise their achievements.

Looking forward

We are integrating our updated strategic priorities into how we measure results, from the performance contracts we have in place for each business unit or function, to the individual objectives of each one of our colleagues. This means that, whatever their role, everyone has a clear understanding of the positive impact they have on company performance and society as a whole. The Board will continue to oversee this area.



Non-executive Directors visiting the electric substation training room at the Millbury training centre in Massachusetts.



For further information on culture please see pages 5 and 40

Board engagement

Engagement is key to the Group's long-term success. The Board engages with key stakeholders both directly and indirectly, ensuring it understands their interests and takes them into account in Board decision making. This complements other engagement with the workforce (as set out on page 43). You can read the Board's Section 172(1) Statement on page 82.

Workforce engagement

Throughout the year, we continued with our 'Full Board Employee Voice' approach. This builds on existing colleague engagement methods and communication channels to ensure meaningful engagement is achieved across all parts of the business by our Board. During the year, the Board's engagement included the activities set out in the table below.

Engagement activity	Engagement in action
<p>Workforce engagement sessions</p> <p>These are small engagement sessions between a couple of Non-executive Directors and colleagues across our workforce of varying levels of seniority. The sessions are open discussion and based on specific themes and topics.</p>	<ul style="list-style-type: none"> • In June 2023, an employee round table on workforce remuneration was held between the Chair of our Remuneration Committee and a group of colleagues to share views on remuneration and encourage an open dialogue. • In September 2023, four Non-executive Directors met colleagues at our New York office to discuss the Group's risk mitigation and climate transition approach. • In September 2023, the Audit & Risk Committee members met the local finance team at our New York office.
<p>Meeting our talent</p> <p>To enable our Board to meet our high-potential colleagues informally, we periodically have opportunities for members of the Board to meet the broader colleague population.</p>	<ul style="list-style-type: none"> • The Board of Directors met with our US Senior Leadership Group in September 2023. • Two of the Non-executive Directors and the Chief Executive met with our UK and US engineering talent in June 2023 in London and October 2023 in New York. Discussions included net zero innovations and digital engineering solutions. • Our Chief Executive holds bi-annual colleague webcasts, which provide all colleagues with the opportunity to ask him questions on any subject in an informal forum. Together with the Group Executive Committee he also holds monthly discussions with the Senior Leadership Group.
<p>Employee Resource Groups (ERGs)</p> <p>ERGs across the UK and US are voluntary, employee-led groups whose aim is to foster a diverse, inclusive workplace, aligned with the organisations they serve. Our Board interacts with the ERGs to better understand their key areas of focus and future direction.</p>	<ul style="list-style-type: none"> • In June 2023, some Non-executive Directors attended our ERG summit held in New York, which included a review of progress made and a discussion on ways to enhance our ERGs across the Group. • In Black History Month in October 2023, two of our Non-executive Directors, Earl Shipp and Anne Robinson, held a fireside chat with the General Counsel DEI Committee to share career experiences. • In March 2024, two Non-executive Directors met colleagues from the Alliance of Black Professionals ERG in Massachusetts. During these sessions, the Directors were updated on their DEI discussions, programmes and plans for the future of the ERG.
<p>Site visits</p> <p>Non-executive Directors are encouraged to visit operational and field sites across the Group. This provides them with the opportunity to hear views from colleagues and engage in meaningful conversation, whilst enhancing their understanding of our vital operations. In addition to this, our Chair routinely visits our UK and US sites to meet with operating and planning teams.</p>	<p>Our Non-executive Directors visited a number of sites during the year, including:</p> <ul style="list-style-type: none"> • the Gowanus canal, a former Manufacturing gas plant (MGP) site in Brooklyn, New York, US; • the Galloper offshore wind farm off the coast of Suffolk, UK; • the Bramford Twinstead Project substation and the Eastern Green Link HVDC electrical link site in south Lincolnshire, UK; and • the Cyber Security Operations Centre, the Gas and Electricity Control Centres and the Millbury Training Centre, a facility focused on training for field-based work and electrical systems operations, in Massachusetts, US.

Feedback and engagement insight

Following engagement activities, the Board takes the time to discuss the views of the workforce and take these into consideration throughout wider Board and Committee discussions. To supplement direct engagement, periodic updates are shared by management on progress with engagement and culture through our two main colleague insight tools – the Grid:voice employee engagement survey and the culture diagnostic.



Further details on Grid:voice can be found on **page 40**

Looking ahead

The People & Governance Committee monitors the effectiveness of the Board's chosen engagement methods in line with the requirements of the Code. This Committee continues to feel that the variety of engagement provides a valuable means of building and maintaining trust and communication, whilst providing our colleagues with an appropriate forum to influence change.

Shareholder engagement

The Board is committed to maintaining strong communications with our investors (both equity and debt). The Company has a comprehensive investor relations programme where it meets a range of key investors in person or virtually at small meetings and larger investor roadshow events. Retail shareholders are managed by Company Secretariat and debt investors by Treasury. The Chair has made routine contact with shareholders who are interested in discussing Board governance. In addition, Committee Chairs such as the Remuneration Committee Chair engage specifically on topics within their responsibility. Management also hosts webcasts for both our half-year and full-year results, and takes questions from investors and analysts to ensure an open dialogue with the market. In addition, the Chief Executive and CFO engage with investors through a number of roadshows throughout the year, both in the UK and overseas.

The Board receives regular reports on our top shareholders, movements in the share register, share price performance and how we are engaging with institutional investors and analysts. It also discusses shareholder issues with management and advisors, and considers these as part of its decision making.

Investor events

We hold a range of events to provide engagement opportunities with our investors. This included our 'Grid Guide to' series, which consists of short, virtual sessions covering our ambitions and progress across a range of themes. 2023/24 investor events included the following:

- May 2023 – 2022/23 full-year results presentation
- July 2023 – UK ED investor event
- September 2023 – Responsible Business 2022/23 – investor webinar
- November 2023 – 2023/24 half-year results presentation
- February 2024 – Grid Guide to Accelerating UK Connections



For further information, see nationalgrid.com/investors/events/grid-guide

AGM

Our AGM is another opportunity for the Board to meet and engage with shareholders. We were pleased to hold our 2023 AGM as a hybrid meeting in London. Hybrid allows us to broaden our engagement with those not able to attend in person and accordingly the 2024 AGM will be held as a hybrid meeting in Warwickshire. Details will be included in our Notice of Meeting to be published in due course and will be available on our website.

Board performance evaluation

Our annual evaluation process provides the Board and its Committees with an opportunity to consider and reflect on the quality and effectiveness of their decision making, and for each member to consider their own contribution and performance.

For 2023/24, an internal evaluation was undertaken, supported by Independent Board Evaluation (IBE). As a continuation from the prior year's externally facilitated evaluation, the Board sought to build upon areas identified where it could further strengthen and enhance its effectiveness.

A summary of our performance against the key actions identified by last year's performance evaluation is set out below.

Findings of the Board evaluation

Our 2023/24 internal Board evaluation concluded that the Board, its Committees and individual Directors were functioning well and continued to operate effectively, and that relationships around the Board table continued to strengthen. Areas identified for focus for 2024/25 include talent development and risk.

Performance of the Chair

As part of IBE's evaluation, the effectiveness of each individual Director was evaluated, including the Chair. Following the Board evaluation process, the Senior Independent Director meets the Non-executive Directors without the Chair present to obtain feedback on the performance of the Chair. A summary of feedback is then provided to the Chair in a private session.

Progress in 2023/24 on evaluation actions:

Action	Progress made during the year
<ul style="list-style-type: none"> • Improve the effectiveness of Board meetings by setting agendas leaving time for reflection and discussion. 	Review of all Board and Committee planners and more planning sessions held in advance of meetings. Chair provides a cover note ahead of Board meetings summarising the key issues to be considered.
<ul style="list-style-type: none"> • Review operational performance reporting to enhance reports/metrics to provide clearer oversight. 	Operational reporting updated and continues to evolve, and the Chief Executive provides an update on operational matters at each Board meeting.
<ul style="list-style-type: none"> • Improve clarity of questions to presenters at Board meetings so that presenters understand the context and background to questions. 	New approach to Board reporting and papers rolled out, including focusing on insightful information and data.
<ul style="list-style-type: none"> • Review planning for Board site visits and engagement. 	Advance plans are available for Board site visits and engagement, ensuring that a wide variety of sites and Board engagement is planned throughout the year.

Directors' induction, development and training

Together with the support of the Group General Counsel & Company Secretary and her team, the Chair has overall responsibility for ensuring that our Non-executive Directors receive a comprehensive induction and ongoing development and training. The induction programme is tailored to their experience, background, committee membership and requirements of their role. Visiting our operations and offices provide our Non-executive Directors with the opportunity to meet individual leaders across our UK and US businesses.

As part of continuing to enhance their knowledge of the business, during the year, the Board attended a series of enrichment sessions covering different topics including ESG, global energy markets and generative AI. Regular updates are also provided on corporate governance changes and investor guidelines by the General Counsel and Company Secretary.

The Board was also kept apprised of the responses to consultations in relation to the Code, the Department for Business and Trade and the FRC's call for evidence on non-financial reporting and other regulatory consultations.

Time commitment

The Board monitors and approves significant external appointments in advance and considers any potential conflicts of interest when it agrees that a Director can take on a new appointment (see page 238). On accepting their appointment with the Company, Directors must confirm they are able to allocate sufficient time to discharge their responsibilities effectively. Directors are expected to attend meetings of the Board and any Committees of which they are members and devote sufficient time to prepare for this in advance.

Directors are encouraged to visit different offices and sites. Before accepting new external appointments, Directors are required to obtain the prior approval of the Board. The Board considers new external appointments in light of each Director's other appointments and roles on the Board. For each new external appointment approved by the Board, the Board concluded that it would not impact each Director's ability to perform their duties, and accordingly the Board gave its prior approval in each instance.

Election and re-election of Directors

The People & Governance Committee considers, in respect of each Director, their skills and experience, time commitment and tenure as part of the Board's recommendation to shareholders for their election or re-election of Directors. The Board believes that each Director who is being put forward for election or re-election at the 2024 AGM brings considerable knowledge, wide-ranging skills and experience to the Board, makes an effective and valuable contribution, and continues to demonstrate commitment to their role. The Board also considered the continued independence of all Non-executive Directors and considers them all to be independent in line with the Code.

Jacqui Ferguson's induction

Having joined the Board in January 2024, Jacqui undertook a tailored induction programme covering a range of areas of the business, including governance, finance, audit and stakeholder matters and received a briefing on Directors' duties. She met with senior management, including Presidents of each of the Group's business units and members of our workforce. Upon appointment, Jacqui was provided with a comprehensive Director induction pack containing key business information. A summary of topics covered as part of the induction can be found in the table opposite.

Jacqui visited our Northborough Office and Millbury Training Centre in Massachusetts in March 2024 with some fellow Board members to observe our operations in action and meet colleagues to gain further insight into our culture. Further site visits are planned during 2024/25 as part of her induction.



For Jacqui's biography please see page 79



Induction area	Provided by	Topics covered
Strategy	<ul style="list-style-type: none"> Chief Strategy & Regulation Officer 	<ul style="list-style-type: none"> National Grid's strategy and strategic priorities
Governance and Directors' duties	<ul style="list-style-type: none"> All Directors and Group Executive Committee members Group General Counsel & Company Secretary Deputy Company Secretary and General Counsel, Corporate 	<ul style="list-style-type: none"> Priority areas for the Board and Board goals Governance framework and corporate structure Overall legal matters Director duties including Market Abuse Regulation
Audit & Risk	<ul style="list-style-type: none"> Group Financial Controller Group Chief Engineer & Chief Risk Officer Global Head of Audit 	<ul style="list-style-type: none"> Regulatory finance model Financial reporting framework Risk management framework and principal risks Internal audit
Remuneration	<ul style="list-style-type: none"> Group Head of Reward External remuneration consultant (PwC) 	<ul style="list-style-type: none"> Directors' Remuneration Policy and share plans Remuneration matters, including broader workforce engagement
Safety & Sustainability	<ul style="list-style-type: none"> Group Chief Engineer & Chief Risk Officer Chief Sustainability Officer 	<ul style="list-style-type: none"> Group safety and wellbeing Sustainability strategy Engineering and technical training
Cyber, IT and Digital	<ul style="list-style-type: none"> Interim Group Chief Information and Digital Officer 	<ul style="list-style-type: none"> Overview of cyber, IT and digital matters
People and culture	<ul style="list-style-type: none"> Chief People & Culture Officer 	<ul style="list-style-type: none"> Overview of people and culture strategy and priorities
Investor relations	<ul style="list-style-type: none"> Director of Investor Relations 	<ul style="list-style-type: none"> Investor perspectives

People & Governance Committee report



Key activities during the year

- Reviewed the composition of the Board and its Committees, and recommended changes to the chairs of the Finance and Remuneration Committees and the Senior Independent Director in light of Board changes
- Recommended the appointment of a new Non-executive Director
- Reviewed the Company's DEI strategy and monitored progress against objectives
- Oversaw and enhanced planning for executive succession

Composition and Committee attendance

The Committee comprises three independent Non-executive Directors and the Chair of the Board. The Committee held four scheduled meetings and two ad hoc meetings during the year.

Attendance at scheduled meetings:

Committee members	Attendance
Paula Rosput Reynolds ●	4/4
Jonathan Silver	4/4
Earl Shipp	4/4
Tony Wood	4/4
Former Committee members	Attendance
Thérèse Esperdy ¹	2/2

● Committee Chair

1. Thérèse Esperdy stepped down from the Board and the Committee on 31 December 2023.

Culture

During the year, the Committee reviewed the results of surveys and other indicators of company culture. It noted improvements in key elements while also discussing where further progress is desirable.

See page 84 to read more about how we as a Board monitor culture.

Board succession and composition

The Committee keeps under review the composition of the Board and its Committees, including the balance of skills, knowledge, diversity and experience on the Board and takes these matters into consideration in succession planning. There were some changes to the Board and Committees during the year. Thérèse Esperdy stood down as a Director on 31 December 2023, having been on the Board for over nine years, including as Senior Independent Director and Chair of the Finance Committee, and Liz Hewitt stepped down from the Board on 31 January 2024.

The Committee recommended changes to membership of the Board and its Committees, including the Senior Independent Director and the Chairs of the Finance Committee and Remuneration Committee. These changes are reflected in the respective Committee reports.

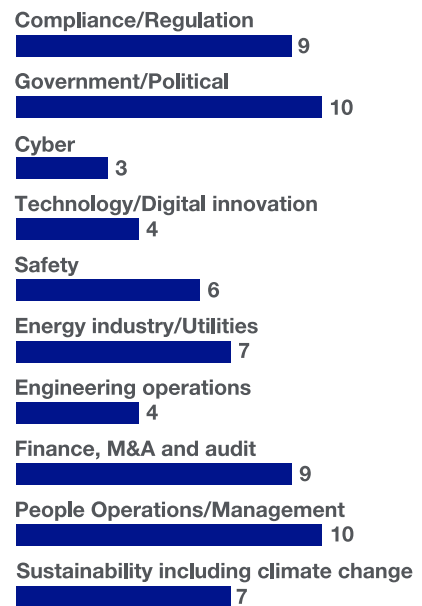
During the year, the Committee recommended to the Board the appointment of Jacqui Ferguson as a Non-executive Director and member of the Audit & Risk Committee. Following Board approval, Jacqui joined the Board from 1 January 2024. Lygon Group was appointed to assist with the search and the process followed was transparent and thorough, with the potential candidates being discussed with the Committee and the Board. Lygon Group is signed up to the Voluntary Code of Conduct for Executive Search Firms and there are no connections between Lygon Group and the Company or its individual Directors.

In considering Jacqui's appointment, the Committee took into consideration the current composition of the Board and the skills, knowledge, diversity and experience which may be required in the future. We are cognisant of having a Board that remains balanced in experience, skills, diversity, independence and tenure. We view diversity through a broader lens than just gender and ethnicity. The Board has also indicated its preference for staggering the terms of Board members to allow for a balance of newer and longer serving Non-executive Directors to ensure a good balance of knowledge and experience is maintained.

Board skills

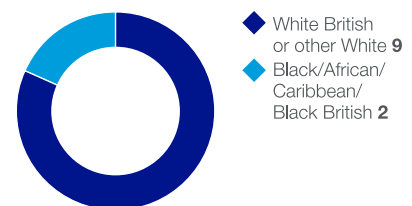
Following a refresh of our Board skills matrix in 2023, we feel that the same 10 key skills on the Board reflect what is needed and the Committee reviews the composition of the Board as a whole with these in mind. This is used to inform searches for Non-executive Directors.

Board skills and experience



As at 31 March 2024

Board ethnicity representation



Board nationality



Diversity, Equity and Inclusion (DEI)

DEI is a vital part of our efforts in building the talent and capabilities we need for the future to deliver on our purpose and strategic priorities. Each Committee meeting starts with a 'DEI moment' to focus attention on various aspects of the employee experience in this area. The Committee considered the Group's DEI strategy, initiatives and progress against DEI goals. The Committee also received an update on a Social Response Framework, which was designed to help management determine the appropriate response to external events where there might be heightened concern or sensitivity within the organisation.

Further information on diversity data can be found on pages 21 and 40.

We recognise the Board's role in exemplifying its commitment to diversity at a leadership level and this commitment is set out in our Board DEI Policy, which applies to both our Board and its Committees. As a result of recent changes in our Board composition, the Board does not currently meet its objective for 40% female representation. Given the Board's desire to stagger the induction of new Directors, we expect to restore gender balance in due course. In all other regards, we believe our Board is meeting the intent as well as the recommended practice regarding diversity. In this spirit, we also ensure that each of the Board Committees comprises a diverse mix of Directors. A summary of progress made against our Board DEI Policy objectives which complies with the Listing Rules is set out below.

Objectives	Progress as at 31 March 2024
The Board aspires to comprise at least 40% women.	Objective not met: Four of our Board Directors are female, resulting in 36.4% women on our Board.
The Board aspires to have a woman in at least one of the senior Board positions (Chair, Chief Executive, Chief Financial Officer or Senior Independent Director).	Objective met: Our Chair is a woman.
The Board aspires to comprise at least one Director from a minority ethnic background.*	Objective exceeded: Two of our Board Directors are from a minority ethnic background.
The Board aspires to achieve 50% diversity** on our Board.	Objective not met: We currently have 45.5% diversity on our Board.

* The following categories are used to define those from a minority ethnic background: Asian/Asian British; Black/African/Caribbean/Black British; Mixed/Multiple Ethnic Groups; other ethnic group, including Arab.

** Diversity of the Board is defined, in this context, as female and individuals from a minority ethnic background.

Our Committees have a diverse mix of skills, experience, ethnicity and gender. Due to recent changes to the Board, including both Thérèse Esperdy and Liz Hewitt stepping down in the financial year, we are not currently meeting our objective of having at least 40% women on the Board. Succession planning remains a key focus for the Committee and the Board, and the Committee has an active process of recruitment ongoing.

As part of the executive succession planning and appointments process, the Committee engages to challenge any implicit bias in appointments and succession plans to ensure that decisions are made on the basis of merit and objective criteria.

In accordance with Listing Rule 9.8.6R(10), as at 31 March 2024, the numerical data on the gender identity and ethnic background of our Board and Group Executive Committee is as follows:

Gender	Number of Board members	Percentage of the Board	Number of senior positions on the Board*	Number in executive management**	Percentage of executive management**
Men	7	63.6	3	7	53.8
Women	4	36.4	1	6	46.2
Not specified/ prefer not to say	–	–	–	–	–

Ethnicity	Number of Board members	Percentage of the Board	Number of senior positions on the Board*	Number in executive management**	Percentage of executive management**
White British or other White (including minority-white groups)	9	81.8	4	12	92.3
Mixed/Multiple Ethnic Group	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	2	18.2	–	1	7.7
Other ethnic group, including Arab	–	–	–	–	–
Not specified/ prefer not to say	–	–	–	–	–

* Senior positions on the Board refer to the Chair, Chief Executive, Chief Financial Officer and Senior Independent Director.

** Executive management comprises the Group Executive Committee, including the Company Secretary.

Group Executive Committee succession planning and talent

Succession planning for the executive leadership is key to the long-term sustainable success of the Company, and ensuring that there is a leadership pipeline of talent is part of the Committee's role. The Committee discusses the likely skills and talent that will be needed in the future, as the Group's business and external environment evolve. Periodically, all the Non-executive Directors join the Committee for confidential discussions on top leadership.

The Committee approved several changes to the Group Executive Committee during the year, including the appointment of Courtney Geduldig, Lisa Wieland, Katie Jackson and Talvis Love.

Paula Rosput Reynolds

Paula Rosput Reynolds
Committee Chair

Approach to collating diversity data

Diversity data is sourced from MyHub (our People system) containing all permanent colleague details, as at 31 March 2024. All ethnicity data is based on voluntary self-declaration. For Non-executive Directors, we collect data through our annual year-end Director data collection.

Audit & Risk Committee report



Key activities during the year

- Focused on internal controls, and regulatory and compliance matters
- Provided oversight over risk management activities, including conducting Group Principal Risk deep dive reviews
- Oversaw the Finance function's progress against its transformation roadmap
- Governance: reviewed our approach to ESG disclosures and reporting, and reviewed and recommended to the Board the approval of the Annual Report and Accounts, RBR and the half and full-year results
- Oversaw the financial disclosures and assurance included in the Prospectus for the fully underwritten Rights Issue approved by the Board on 22 May 2024

Composition and Committee attendance

The Committee comprises four independent Non-executive Directors. The Committee held four scheduled meetings and two ad hoc meetings during the year.

Attendance at scheduled meetings:

Committee members	Attendance
Iain Mackay ●	4/4
Jacqui Ferguson ¹	1/1
Ian Livingston	4/4
Jonathan Silver	4/4
Former Committee members	Attendance
Thérèse Esperdy ²	3/3
Liz Hewitt ³	2/3

● Committee Chair

1. Jacqui Ferguson joined the Committee effective 1 January 2024.
2. Thérèse Esperdy stepped down from the Board and the Committee effective 31 December 2023.
3. Liz Hewitt was unable to attend the Committee meeting on 15 May 2023 due to a prior commitment, and stepped down from the Board and the Committee effective 31 January 2024.

Review of the year

This year was my first full financial year as Audit & Risk Committee Chair, during which the Committee held four scheduled meetings and two ad hoc meetings.

The Committee maintains an extensive agenda focused on the Company's audit, compliance and risk processes. We work closely with management, the external auditor, Corporate Audit, Finance and our General Counsel function to ensure we collaborate and understand the evolving landscape across our organisation. Key matters of business considered during the year are set out on page 93.

The focus of the ad hoc meetings was to provide time to undertake a detailed review of the progress of our Finance transformation programme. This included a deep dive on the transformation of our financial reporting control environment, and reviewed the risk management and controls framework being developed for the major capital projects that are being delivered through the Strategic Infrastructure business unit. A joint session was held with the Safety & Sustainability Committee in September 2023 to discuss the ESG reporting landscape and the Group's ESG reporting strategy and assurance disclosures.

Throughout the year, I held meetings with the Deloitte Lead Audit Partner, the Global Head of Audit, the Group Chief Engineer & Chief Risk Officer, the CFO, and the Group Financial Controller as well as other management to discuss key items and ensure appropriate communication channels were in place to facilitate an open dialogue. Following each meeting, the Board received updates on the Committee's activities, including meeting papers and minutes. I would like to thank Committee members, the management team and Deloitte for their contribution, professionalism and integrity provided in support of the Committee's work.

Risk management

The Committee provides its review and scrutiny bi-annually through its responsibilities for oversight of risk management, internal controls and the execution of the processes in respect of GPRs (as detailed on pages 24 – 30). Such reporting incorporates how GPRs are being managed compared with the risk appetite set by the Board, and the overall effectiveness of the risk management process and systems of internal control. Oversight responsibilities include cyber security, which is a GPR. The Committee reviewed this twice during 2023/24.

The ERCC, as described on page 29, oversees the implementation of the Group's risk management framework and assesses the Group's principal risks, including cyber security risks. The ERCC regularly reviews and assesses all risks, including any cyber security risk prior to reporting updates to the Committee.

The ERCC has primary responsibility to oversee the disclosure of material cyber security incidents, as well as a general obligation to ensure the proper risk oversight structure of cyber security as part of the Group's overall ERM process and the internal controls applicable to cyber security matters. National Grid's CIDO and CISO regularly provide reports to the Committee and hold additional briefings for the full Board at least once per year.

Transactions

During the year, the Committee has considered various transactions across the Group, including the ESO separation and disposal of a further 20% retained stake in National Gas in March 2024. The Committee's work in this regard has included monitoring the controls in place and the accounting judgements applied by management.

The Committee also performed an active oversight role in the proposed Rights Issue that was approved by the Board on 22 May 2024. The Committee oversaw management's processes and controls for preparing the financial disclosures included in the Prospectus.

Internal controls

The Committee recognises the importance of our internal control environment and the role it plays in risk mitigation. It is imperative we have a robust framework to help ensure our internal controls support a reporting regime which enables the Group to provide a fair, balanced and understandable assessment of its activities. We acknowledge the FRC's revisions to the Code in the area of internal controls, which will be applicable for our 2026/27 financial year.

The Committee will endeavour to support the Board in its review of our Group's internal controls and ensure comprehensive assessments are carried out to help drive continuous improvement and enhancement.

Following a thorough review, the Committee confirmed that the processes provided sufficient assurance and that the sources of assurance had sufficient authority, independence and expertise. The Committee Chair reported to the Board in May and confirmed that management's process for monitoring and reviewing internal control and risk management processes is functioning effectively. It noted that no material weaknesses had been identified by the review and confirmed that it was satisfied the systems and processes were functioning effectively.

Iain Mackay
Committee Chair

Committee financial experience

The Board is satisfied that all Committee members are suitably qualified with recent and relevant financial experience and competence in accounting, auditing or both. Iain Mackay and Ian Livingston are qualified Chartered Accountants who are competent in accounting and auditing in accordance with the Code and the FCA's Disclosure Guidance and Transparency Rules. The Committee members collectively possess an appropriate and varied blend of commercial and financial expertise to assess the issues they are required to address. Further information on each member of the Committee can be found in their biographies on pages 78 to 79. The Committee as a whole is deemed to have competence relevant to the sector in which the Company operates. For the purposes of the US Sarbanes-Oxley Act of 2002 (SOx), Iain Mackay is the Committee's financial expert.

Fair, balanced and understandable

In May 2024, the Committee reviewed the Annual Report and Accounts, having previously provided feedback on earlier drafts. The Committee concluded that the Annual Report and Accounts, taken as a whole, was fair, balanced and understandable, and provided the information necessary for shareholders and other stakeholders to assess the Group's position, performance, business model and strategy. In its review, the Committee considered the financial and non-financial disclosures contained within the report, including the TCFD (see pages 44 – 58). The Committee also considered the potential impact on forward-looking assumptions supporting going concern and viability assessments. In reaching its conclusion, the Committee considered that the following had been carried out and this formed the basis of its recommendation to the Board:

- a full verification exercise to review the financial and non-financial content of statements made with supporting evidence;
- a comprehensive review by management, including Group Executive Committee members, to consider the accuracy and consistency of messaging and overall balance; and
- feedback from the Company's advisors, including the external auditor and remuneration advisor.

Significant issues/judgements relating to the financial statements

The significant issues and judgements considered for the year ended 31 March 2024 are set out in the following table. In addition, the Committee and the external auditor discussed the significant issues addressed by the Committee during the year. You can read more in the Independent Auditor's Report on pages 117 – 126.

Matters considered	Factors and reasons considered, including financial outcomes
Environmental provision cash flows	<ul style="list-style-type: none"> • In November 2023, March 2024 and May 2024, the Committee reviewed the accounting for the £2.3 billion of environmental remediation provisions, including the judgements and estimates relating to the £496 million of exceptional provision increases for the three former manufactured gas plant sites Citizens, Fulton and Metropolitan, and the Gowanus site. The Committee challenged management on the measurement uncertainty surrounding the provision increases, including management's evaluation of the independent engineering and legal advice received. The Committee approved the classification of the cost increases related to these sites as exceptional in accordance with the Group's exceptional items framework and reviewed the new and updated environmental provision disclosures within notes 5, 26, 30 and 35 to the financial statements.
Useful economic life of US gas assets in the context of climate change	<ul style="list-style-type: none"> • The Committee reviewed management's evaluation of the impact of the energy transition and climate change on the estimated useful economic lives of the Group's US gas assets. In particular, the Committee reviewed management's assessment of the accounting impacts of adopting the near-term 1.5°C-aligned, SBTi-validated, emissions reduction targets and challenged management's judgement that a hybrid transition pathway, which continues to utilise the gas network and hence supports the existing UELs, is the most probable transition scenario, with technological, affordability and consumer behaviour challenges making other transition scenarios less probable. The Committee agreed that the UELs of the US gas assets, which are aligned to regulatory lives, remain appropriate. The Committee also agreed with management that the additional disclosures and sensitivities previously added to notes 30 and 35 to the financial statements should be retained.
Classification of the retained associate investment in National Gas (held through GasT TopCo Limited) as held for sale	<ul style="list-style-type: none"> • In November 2023 and May 2024, the Committee reviewed management's judgement that the retained associate investment in GasT TopCo (the holder of the interest in National Gas) should be classified as held for sale and a discontinued operation given the timing of the exercise window for the remaining acquisition option exercisable at the purchaser's option between 1 May 2024 and 31 July 2024. The Committee reviewed the valuation of the remaining acquisition option in both the half-year and year-end financial statements, and agreed that the residual asset should be included within the held for sale disposal group, as disclosed in note 10 to the financial statements.
Application of the Group's exceptional items framework	<ul style="list-style-type: none"> • Throughout the year, the Committee considered papers from management setting out how the Group's exceptional items framework had been applied to certain events and transactions over the period, as set out in note 5 to the financial statements. • For each item, the Committee considered the judgements made by management, including challenging when transactions were concluded as not qualifying for exceptional treatment. • The Committee also recommended enhancing the disclosures relating to certain exceptional items, including disclosing the reasons why restructuring programmes may take place over multiple reporting periods and ensuring transparent disclosure over the historic treatment of not considering as exceptional subsequent recoveries of exceptional environmental costs through allowed revenues. • Based on the reviews performed, the Committee was satisfied this framework had been correctly applied throughout the year.

Financial reporting Going concern and viability

The Committee has continued to review the Group's viability and status as a going concern. This included the Committee reviewing the Group's going concern statement, viability statement (as set out on page 133 and page 31 respectively) and the supporting assessment reports prepared by management. The financial statements are prepared on a going concern basis such that the Company and the Group have adequate resources to continue in operation for at least 12 months from the date of signing the consolidated financial statements for the year ended 31 March 2024.

Statutory reporting framework policy

The Board has responsibility for effective management of risk for the Group, including determining its risk appetite, identifying key strategic and emerging risks and reviewing the risk management and internal control framework. The Committee, in supporting the Board to assess the effectiveness of risk management and internal control processes, relies on a number of Company-specific internal control mechanisms to support the preparation of the Annual Report and Accounts and the financial reporting process. This includes both the Board and the Committees receiving regular management reports to include analysis of results, forecasts and comparisons with last year's results, and assurance from both Corporate Audit and the external auditor, Deloitte.

With the regulatory environment evolving quickly, the Committee was kept fully informed of new legislation, FRC advice and guidance on the requirements of the Code and the FCA's Disclosure Guidance and Transparency Rules. During 2023/24, the Committee has been kept up to date with changes to legislation and regulatory reviews, including the FRC's revisions to the Code and potential impacts.

The Committee and Board received, in advance of the full-year results, a periodic SOx report on management's opinion on the effectiveness of internal control over financial reporting. This report concerns the Group-wide programme to comply with the requirements of SOx and is received directly from the Group SOx and Controls team.

In relation to the financial statements, the Company has specific internal control mechanisms that govern the financial and non-financial reporting process and the preparation of the Annual Report and Accounts. The Committee oversees that the Company provides accurate, timely reports of financial results and implements accounting standards and judgements effectively, including in relation to going concern and viability. Our financial processes include a range of systems, transactional and management oversight controls. Our businesses prepare detailed monthly management reports that include analysis of their results, along with comparisons to relevant budgets, forecasts and the previous year's results. Monthly business reviews, attended by the Chief Executive and CFO, supplement these reports. Each month, the CFO presents a consolidated financial report to the Board.

Key matters considered by the Committee

In addition to the significant issues and judgements highlighted on page 91, the Committee also considered the following matters during the course of the year ended 31 March 2024:

Matters considered	Factors and reasons considered, including financial outcomes
Financial and non-financial reporting	<ul style="list-style-type: none"> Monitored and reviewed the integrity of the Group's financial reporting and disclosures and other formal documents relating to its financial performance, including this Annual Report and Accounts. Considered the financial and non-financial disclosures contained with this Annual Report and Accounts, and reviewed and challenged the appropriateness of estimates and accounting policies. Approved the updates to the IFRS 8 segment measure of capital investment to include capital expenditure prepayments and equity investments in joint ventures and associates. Recommended to the Board management's key accounting judgements and key sources of estimation uncertainty, including those related to pension valuations for the 2023/24 half-year and 2022/23 full-year financial statements and the filing of other reports with the SEC containing financial information.
ESG reporting	<ul style="list-style-type: none"> Discussed management's preparedness for upcoming mandatory ESG reporting, including the ISSB standards. Received an update on the preparation of the RBR and the Company's TCFD disclosure. This included reviewing the output of the refreshed transition risk scenario analysis, as disclosed on pages 54 – 58, and reviewing the Group's climate-related financial disclosures. Received a report from PwC regarding conclusions from its limited assurance over the RBR disclosures reporting. Recommended to the Board the RBR and other ESG disclosures for approval.
ESO separation	<ul style="list-style-type: none"> Reviewed the controls in place and accounting judgements applied by management for the ESO separation. Reviewed the accounting judgements around the classification of the ESO as held for sale and the outcome of the held for sale impairment reviews. Approved the recognition of a provision for the forecasted UK electricity balancing costs that are expected to be settled through the sales process and for the income statement impact to be classified as exceptional in accordance with the Group's Exceptional Items Framework.
APMs and RPMs	<ul style="list-style-type: none"> Reviewed and approved the key judgements relating to the Group's Alternative Performance Measures (APMs) and Regulatory Performance Measures (RPMs). Approved the change to the underlying earnings APM to remove the impact of deferred tax on underlying profits in UK regulated businesses (UK ET and UK ED). Discussed and agreed the change in definition of Capital Investment APM which now aligns with our statutory segmental disclosure of Capital Investment.
Internal controls	<ul style="list-style-type: none"> Received regular updates on progress towards the Group's annual US regulatory attestation. Discussed with management its programme of work to strengthen the maturity of the Group's risk and controls framework. Assessed the Group's approach to cyber security with respect to our ERM process.
Risk oversight and viability statement	<ul style="list-style-type: none"> Received regular updates on actions being taken to monitor and manage risk in line with the Group's risk appetite. Received confirmation from each of the business units and functions that risks are managed appropriately and that external influences and matters outside of the Group's control continue to be considered in this assessment. Received an ESG update on the Group's transition risks and climate change commitments. Considered cyber risk and mitigation strategies taken across the Group. Monitored the internal control processes, and reviewed and challenged the going concern and viability statements, including testing for reasonable worst-case scenarios. Advised the Board that the Group's risk management processes were effective and provided sufficient assurance.
External auditor	<ul style="list-style-type: none"> Received a report from Deloitte at each meeting, including updates on the status of, and results from, the annual audit process and monitored the approach, scope and risk assessments within the external audit plan. Considered Deloitte's reports to the Committee, including its reports on the 2023/24 half-year and full-year results. Held private meetings with Deloitte and maintained dialogue throughout the year. Assessed the effectiveness and independence of Deloitte and provided oversight of non-audit services from Deloitte. Recommended the reappointment of Deloitte as the Company's external auditor to the Board to be recommended to shareholders at the 2024 AGM.
Corporate audit	<ul style="list-style-type: none"> Received regular updates on the 2023/24 corporate audit plan and any more significant findings, including themes and progress of actions identified, and approved the corporate audit plan for 2024/25. Approved the Corporate Audit Charter, which had been updated to reflect best practice and recent corporate governance developments.
Compliance, governance and disclosure matters	<ul style="list-style-type: none"> Received updates on ethics and business conduct, including whistleblowing, to support the oversight, management and mitigation of business conduct issues as part of the internal controls framework. Discussed the whistleblowing procedures in place and confirmed internal procedures remained effective, noting the communications and training programmes provided during the year to employees, including additional communications in relation to fraud and bribery. The Committee also receives regular reports from the Chief Compliance Officer to ensure appropriate investigation procedures and reporting channels are in place. Received bi-annual updates of compliance with external legal requirements and regulations, including any non-compliance issues and steps being taken to improve compliance across the Group.
Rights Issue	<ul style="list-style-type: none"> Approved the appointment of Deloitte to act as Reporting Accountant. Received status updates on the progress of Prospectus financial disclosures workstreams. Reviewed and approved the Prospectus financial disclosures.

Risk management and internal controls

Risk management

Effective risk management is key to achieving our strategic priorities. The Board provides oversight of and approves the system of risk management, which sets risk appetite and maintains the system of internal controls to manage risk within the Group. The Committee has delegated responsibility from the Board for the oversight of the Group's systems of internal control and risk management.

This includes policies, compliance, legislation, appropriateness of financial disclosures, procedures, business conduct and internal audit. As part of the framework, our values – do the right thing, find a better way and make it happen – help promote a culture of integrity. The Group Chief Engineer & Chief Risk Officer is responsible for establishing and maintaining the Group's risk management processes to ensure the effective management of risk. During the year, the Board provided oversight of the Group GPRs (as set out on pages 24 – 30). The Committee, alongside the Safety & Sustainability Committee, provided oversight and challenge through detailed risk reviews to ensure that processes are in place to manage risk appropriately and effective reporting to the Board is in place.

Internal control and risk management effectiveness

We continually monitor the effectiveness of our internal control and risk management processes to make sure they are effective, robust and remain fit for purpose. Controls are in place to reduce the likelihood of occurrence and impact of risks. Based on work conducted by the Committee over the year, the Committee confirmed to the Board that the controls framework provides appropriate assurance of the effectiveness of internal control and risk management frameworks and that the sources of assurance received from management have sufficient authority, independence and expertise to provide objective advice and information.

This review includes financial, operational and compliance controls. The Committee also monitors and addresses any business conduct issues or compliance issues. The Certificate of Assurance process provides management's assurance to the Committee on behalf of the Board that all significant issues relating to the integrity and standard of risk management and internal controls systems across the Group have been effectively managed during the reporting period. The process operates via a cascade system from business unit and functional managers upwards to the Chief Executive and takes place annually in support of the Company's full-year results. This process captures any significant risk, compliance, ethics and control issues that have not been reported through other governance, assurance and reporting processes, and excludes financial controls which are assessed through the separate SOx assurance.

Following a thorough review, the Committee confirmed that the processes provided sufficient assurance and that the sources of assurance had sufficient authority, independence and expertise. The Committee Chair reported to the Board in May and confirmed that management's process for monitoring and reviewing internal control and risks management processes functioned effectively. The Committee noted that no material weaknesses had been identified by the review and confirmed it was satisfied that systems and processes functioned effectively.

Corporate audit

Corporate audit supports the Group's risk management and internal control processes. It maintains an independent and objective approach to evaluate and enhance process developments. The appointment of the Global Head of Audit is a matter reserved for the Committee. They have responsibility for the Group's corporate audit function, attend all Committee meetings and have access to the Committee Chair, and also meet with the Committee without management in attendance. The Committee regularly reviews progress of the internal audit plan, including the key themes being raised and the remedial plans in place alongside the closure of actions. The Corporate Audit Charter was last reviewed and approved by the Committee in November 2023. The Committee has also been kept informed of the transformation of the corporate audit function as it seeks to remain ahead of strategic and technological developments, effectively meet future stakeholder needs and be equipped to deal with emerging risks.

External audit

The Committee is responsible for overseeing the relationship with the external auditor.

- Deloitte is the external auditor to the Company.
- Deloitte was appointed in 2017 following a formal tender process.
- Deloitte was reappointed for 2023/24 at the 2023 AGM.
- The Committee was authorised by shareholders to set Deloitte's remuneration at the 2023 AGM.
- The current lead Audit Partner is Chris Thomas and 2023/24 was the second year of his term.

Following consideration of the auditor's independence and objectivity, the audit quality and the auditor's performance, the Committee recommended to the Board Deloitte's reappointment as external auditor for the year ending 31 March 2025. A resolution to reappoint Deloitte and give authority to the Committee to determine its remuneration will be put to shareholders at the 2024 AGM. The Committee considers that, during 2023/24, the Company complied with the mandatory audit processes and audit committee responsibility provisions of the Competition and Markets Authority Statutory Audit Services Order 2014 and does not intend to conduct a competitive tender before the end of the current required period of 10 years.

The next competitive tender is expected to begin in 2025/26. Given the independence and objectivity of Deloitte to date, the Committee remains satisfied with its performance and effectiveness, and considers its reappointment for 2024/25 to be in the best interests of the Company.

Audit Committees and the External Audit: Minimum Standard

The Committee reviewed and acknowledged the requirements issued in May 2023 by the FRC under the Audit Committees and the External Audit: Minimum Standard. The Committee encourages transparency and accountability across all of our financial reporting and auditing practices to build trust and promote the long-term sustainability of the Company. It is important we continue to adhere to standards of best practice to ensure good governance and demonstrate compliance through disclosures made to our stakeholders.

Effectiveness, quality and performance

As part of the Committee's responsibilities, consideration is regularly given to the effectiveness of the external auditor to verify that the quality, challenge and output of the external audit process is sufficient. Throughout the year, the Committee looks at the quality of the auditor's reports and considers its response to accounting, financial control and audit issues as they arise. To maintain high levels of quality, the Committee reviews and challenges the external audit plan prior to approval.

The Committee regularly engages and receives the views of senior management and members of the Finance function in forming conclusions on auditor effectiveness.

Meetings are held around each scheduled Committee meeting, and outside the meeting cycle on a regular basis, between the Committee Chair and the external auditor without management being present, to encourage open and transparent feedback. The Committee members also meet privately with the external auditor at least twice per year.

During the year, the Committee:

- reviewed the quality of audit planning, including approach, scope, progress and level of fees;
- reviewed the outcome of recommendations from the Deloitte Insights Report (detailed below);
- considered the external auditor's performance against eleven Audit Quality Indicators covering aspects of the delivery of the external audit including planning, resourcing, the use of technology, oversight and quality review.
- held private meetings with the external auditor without management present; and
- confirmed that the Deloitte external audit process had been delivered effectively.

Audit quality insights

External auditor Insights Report

On an annual basis, the Committee receives a report summarising the financial reporting and/or internal control areas that, based on the results of the most recent audit, Deloitte considers management should prioritise during the year ahead. This year, the report included management's responses to the recommendations, along with an update on implementation status of prior year recommendations.

Management survey on the external audit process

Management undertook a survey in 2023/24 that sought views from over 100 key stakeholders involved in the external audit process across the Company. The questions comprised the following areas:

- Deloitte's performance, including the following key performance indicators:
 - planning and scope;
 - robustness of the audit process;
 - independence and objectivity;
 - quality of delivery;
 - quality of people and service; and
 - understanding of the Company.
- National Grid's commitment to the audit.

Management, Deloitte and the Committee discussed the results of the survey in September 2023, which showed that the external auditor's score had remained consistent with the prior year. Together with the Committee, Deloitte agreed proposed actions to continue to improve the audit process and address the identified focus areas in its 2023/24 audit plan. The Committee considered the proposed actions to improve the phasing of audit work, to ensure timely requests for information and improve coordination between Deloitte's various teams supporting the audit.

The survey concluded that:

- the audit contributed to the integrity of the Group's financial reporting;
- the relationship between Deloitte, the Committee and management continues to be effective; and
- Deloitte demonstrated an appropriate degree of professional scepticism, and its team possessed the required level of skill and expertise to enable an effective audit.

Auditor independence and objectivity

The independence of the external auditor is essential to the provision of an objective opinion on the true and fair view presented in the financial statements.

The Committee considered the safeguards in place, including the annual review by corporate audit, to assess the external auditor's independence. Deloitte reported to the Committee in May 2024 that it had considered its independence in relation to the audit and confirmed that it complies with UK regulatory and professional requirements, SEC regulations and Public Company Accounting Oversight Board (PCAOB) standards and that its objectivity is not compromised. The Committee took this into account when considering the external auditor's independence and concluded that Deloitte continued to be independent for the purposes of the external audit and confirmed that this recommendation was free from third-party influence and restrictive contractual clauses.

Non-audit services

In line with the FRC's Ethical Standard and to maintain the external auditor's objectivity and independence, we have a policy governing Deloitte's provision of non-audit services.

The cap on the total fees that may be paid to the external auditor for non-audit services in any given year is 70% of the average audit fees paid in the last three financial years.

The provision of any non-audit service by the external auditor requires prior approval by the Committee. A subset of services where, due to their nature, we believe there is no threat to the auditor's independence or objectivity and have a value under £250,000 can be approved in advance by the CFO. These services are limited to:

- audit, review or attest services. These are services that generally only the external auditor can provide, in connection with statutory and regulatory filings, including comfort letters, statutory audits, attest services, consents and assistance with review of filing documents; and
- the provision of access to technical publications.

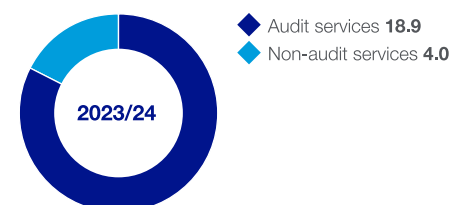
In any event, the Committee is provided with a list of all non-audit services to ensure that it is monitoring all non-audit services provided. Non-audit service approvals during 2023/24 principally related to comfort letters for debt issuances, the refresh of related debt issuance programmes and reporting accountant services.

External auditor fees

The amounts paid to the external auditor in the past three years were as follows:

Statutory auditor's fees (£m)

2023/24	18.9	4.0	22.9
2022/23	19.3	1.6	20.9
2021/22	18.9	1.0	19.9



Total billed non-audit services provided by Deloitte during the year ended 31 March 2024 were £4.0 million, representing 17.5% of total audit and non-audit fees. In 2022/23, non-audit services totalled £1.6 million (7.7% of total audit and non-audit fees).

Further information on the fees paid to Deloitte for audit, audit-related and other services is provided in note 4 to the financial statements on page 145.

Total audit and audit-related fees include the statutory fee and fees paid to Deloitte for other services that the external auditor is required to perform, such as regulatory audits and SOx attestation. Non-audit fees represent all non-statutory services provided by Deloitte.

Safety & Sustainability Committee report



Key activities during the year

- Reviewed and considered the refreshed RBC published in September 2023
- Recommended for approval to the Board our new 1.5°C near-term emissions targets
- Discussed our nature strategy
- Reviewed the RBR
- Reviewed progress made on the implementation of the updated three-year Group Health and Wellbeing strategy
- Reviewed major safety incidents
- Reviewed the CTP

Composition and Committee attendance

The Committee comprises four independent Non-executive Directors. The Committee held three scheduled meetings and one ad hoc meeting during the year.

Attendance at scheduled meetings:

Committee members	Attendance
Earl Shipp ●	3/3
Anne Robinson	3/3
Tony Wood	3/3
Martha Wyrtsch ¹	2/3

● Committee Chair

1. Martha Wyrtsch was unable to attend the May Committee meeting due to serious family illness.

Our CTP and RBR can be found at nationalgrid.com/responsibility

Review of the year Sustainability

We recognise that being a responsible business is pivotal to success in all our operations. The Committee reviewed and approved the refreshed RBC which was published in September 2023 and includes updated responsible business commitments and targets across the areas of environment, customers and communities, and our people. The Committee regularly oversees our progress against these, which is reported annually in the RBR.

Reflecting the evolving external environment and expectations, the Committee spent time considering the adoption of 1.5°C-aligned near-term science-based targets and aligning our long-term net zero target to a 2040 target date, increasing our ambition to mitigate our impact on climate change from our own emissions. The requirements of new near- and long-term targets and their likely strategic impact were considered. The Committee recommended to the Board the approval of a 1.5°C near-term emissions reduction target.

Due to the current lack of a SBTi gas sector-specific pathway for emissions reduction, and the SBTi requirement for companies classed as electric utilities to be net zero by 2040, the Committee agreed that it would not be possible to align our net zero target with a 2040 date, and agreed to retain the Group's current 2050 net zero target. The Committee has been kept updated by the Sustainability team on its engagement with the SBTi in relation to this.

At our 2022 AGM, we put our first CTP to an advisory shareholder vote, noting we would seek to put an updated plan to shareholders no later than 2025. Further to this, a revised CTP will be laid for an advisory shareholder vote at the 2024 AGM given the 1.5°C near-term emissions target and the TPT framework.

The Committee reviews our sustainability strategy, which includes consideration of changes in regulation in this area and reporting. At a joint meeting with the Audit & Risk Committee, a review of our approach to ESG reporting was discussed and its alignment to the overall business strategy.

We also considered the wider sustainability external outlook, allowing us to focus on how our commitments compare with our peers. A deep dive on our nature strategy highlighted our biodiversity goals and the progress we are making to improve the natural environment on the land we own and when we deliver critical infrastructure. The Committee also conducted and reviewed our GPRs in relation to sustainability and confirmed that they are within the Group's risk appetite. We will continue to oversee the Group's progress on our strategies, policies and initiatives in this area and alignment with our responsible business fundamentals.

Safety, wellbeing and asset protection

Safety remains a cornerstone of our operations and a critical focus for the Committee. We monitor both process and occupational safety, leveraging in-depth reviews of our business units to enhance our oversight effectively. During the year, members of the Committee have conducted numerous visits to operational sites and interacted with employees on safety, health and operational matters.

The Committee has engaged in comprehensive discussions about the Group's safety and health outcomes. These conversations underscored the positive impact of our 'Stand up for safety' strategy, initiated in 2023, which has significantly fostered a stronger safety culture within the Group. Nevertheless, we acknowledge the journey ahead in our continuous improvement efforts. In a sober reflection of the risks we aim to mitigate, August 2023 witnessed the heart-breaking loss of a team member at one of our UK ED facilities (see page 33). Additionally, December 2023 brought further tragedy in Massachusetts, where a colleague and an accompanying police officer were fatally injured by a civilian vehicle (see page 34). These incidents serve as a stark reminder of the imperative to perpetuate and strengthen our safety culture. To this end, we are committed to integrating our four safety principles more deeply into our corporate ethos, supported by targeted educational campaigns.

Details on our key safety metrics and outcomes can be found on page 20.

The Committee was updated on efforts to focus on the prevention of health and wellbeing issues, including mental health, to create an environment where employees can thrive, resulting in the launch of our 'Thriving Together' health and wellbeing strategy throughout the organisation.

The emergence of extreme weather has impacted our assets and workforce, with several major storms in the UK and US throughout this year. The Committee oversaw the Group's efforts to adapt, ensuring our safety processes are robust and resilient in the long run to continue to provide reliable services to our customers.

Earl Shipp
Committee Chair

Finance Committee report



Key activities during the year

- Considered the financing strategy of the Group in the light of its future capital investment plans and reviewed the revised financing strategy, including the Rights Issue, ahead of consideration by the Board
- Monitored the ongoing operations of the Treasury function, including financing transactions and the management of financial risks, and reviewed its future capability and capacity requirements
- Approved the Group's insurance renewal strategy
- Reviewed the strategy to de-risk the Group's pension obligations

Composition and Committee attendance

The Committee comprises two independent Non-executive Directors and two Executive Directors. The Committee held three scheduled meetings and one ad hoc meeting during the year.

Attendance at scheduled meetings:

Committee members	Attendance
Ian Livingston ¹ ●	3/3
Iain Mackay ²	2/2
Andy Agg	3/3
John Pettigrew	3/3
Former Committee members	Attendance
Thérèse Esperdy ³	2/2
Liz Hewitt ⁴	2/2

● Committee Chair

1. Ian Livingston became Committee Chair on 1 October 2023.
2. Iain Mackay joined the Committee on 1 October 2023.
3. Thérèse Esperdy stepped down as Committee Chair on 1 October 2023 and as a member of the Committee on 31 December 2023.
4. Liz Hewitt stepped down from the Committee on 31 January 2024.

Review of the year

This year, the Committee monitored the financial risk of the Group and focused on the key areas within our remit: treasury, insurance, tax and pensions. Whilst in the past year we have seen lower levels of volatility in financial and energy markets compared with the prior year, both interest rates and inflation have remained at increased levels compared with recent history, and the Committee has continued to monitor the impact of these on the Group's financial position.

Our long-term business plan reflects higher levels of capital investment to support the energy transition expected in both our UK and US businesses, resulting in an increase in our financing requirements. The Committee reviewed the Group's financing strategy accompanying the Strategic Business Plan, and considered the different options available.

Treasury

Given our higher capital requirements going forward and the resulting increase in the amount of financing required in the future, the Committee discussed with management its plans to increase the capability and capacity of the Treasury function. We monitor the ongoing operations of the Treasury function at each meeting, including long- and short-term debt issuance across a variety of debt markets at both holding company and operating subsidiary level and key financial risk positions, as well as the action of credit rating agencies. In particular, following the issuance of the first SEC-registered bonds since 2006 by National Grid plc, which reopened the vast US bond market for the Group's Parent Company, the Committee was pleased at the level of investor demand for these bonds.

The Committee approved payment guarantees from National Grid Electricity Transmission plc for the Eastern Green Link projects, reflecting its share in the joint ventures with Scottish Power Transmission and Scottish and Southern Energy.

Insurance

The hardening of insurance markets that we have witnessed over the past few years has continued, and within this context the Committee reviewed and approved a new renewal strategy for the Group's insurance policies, effective as of 1 April 2024. This new strategy has delivered significant insurance capacity for the Group, whilst enabling it to remain within its targeted risk appetite and tolerance for insurable risks.

Tax

We continue to stay abreast of relevant tax policy developments in both the UK and US and how these will impact the business in the future. In light of upcoming general elections in the UK and US, and the potential for changes in tax policy, we will closely follow these developments.

Pensions

During the year, we noted the agreement of actuarial valuations for our six UK defined benefit pension arrangements, and in line with the Group's responsibilities, the Committee was assured that our UK pension arrangements remain appropriately funded to meet future pension obligations. The Committee also reviewed the de-risking strategy adopted for the UK pension plans.

The Committee has also spent time overseeing the impact on our pension commitments of the expected separation of the ESO. Our key objective is to deliver a pension solution that meets the needs of all stakeholders in relation to this transaction, and the Committee will continue to monitor this in 2024/25.

The Committee has assessed the key strategic priorities of the US pension arrangements, noting the continued strong funding positions, and, in line with our aim to reduce investment risk within the plans, approved a derisking transaction covering approximately \$700 million of liabilities across several US pension plans in October 2023.

Looking forward

The Committee will oversee the completion of the Rights Issue and its outcome and will maintain oversight of the ongoing delivery of the financing strategy throughout 2024/25. We will continue to monitor the management of our financial risks across the areas within our remit, in particular noting the impact of external markets and events on these.

Ian Livingston
Committee Chair

Directors' Remuneration Report



Dear shareholders

I am pleased to present my first Directors' Remuneration Report as the Chair of the Remuneration Committee, for the year ended 31 March 2024. Firstly, I would like to give thanks to my predecessor, Ian Livingston, for his ongoing support throughout the handover of responsibilities and his work as Chair. I would also like to extend my thanks to all members of the Committee for their focus, insight and support.

The past 12 months have continued to present the energy sector with a host of challenges, altering the landscape within which National Grid operates.

As noted in the financial statements, we have delivered another year of strong financial and operational performance, with profits and underlying EPS both up 6% at constant currency and with a record investment of £8.2 billion across the Group. As a result, the Committee agreed that the remuneration outcomes under the Policy reflected company performance and shareholder experience in 2023/24.

Society

As a company, we continue to work towards our goal of enabling the energy transition for all while remaining committed to our own responsible business commitments. This year we launched The Great Grid Upgrade, a significant overhaul of the UK electricity grid, aiming to connect more renewable energy to homes and businesses. Additionally, across both our transmission and distribution networks in the US and UK, and in tandem with various industry stakeholders, we announced the acceleration of the connection of up to 20 GW of clean energy projects.

As net zero target dates get closer for all stakeholders, we recognise the role of the energy sector in the transition. While a great deal of work has already been done, and progress made, there remains significant need for continued action. As part of our continued commitment and accountability, 20% of our 2024 LTTP remains linked to progress against our GHG emissions reduction targets and our enablement of the energy transition, in line with the approach taken for the 2022 and 2023 LTTP awards.

Consumers

Despite the global economic environment beginning to improve, cost of living pressures continue to impact families and individuals, many of whom struggle to keep up with the rising cost of food, fuel, and housing. While in the UK, our revenues are not linked to the price of energy households are facing, we remain committed to promoting fairness and affordability within the energy sector. We offer a range of solutions focussing on low- to moderate-income customers, seeking to improve the affordability of energy.

We continue to focus on our Group customer satisfaction index, which is an equally weighted index of mainly externally measured, quantifiable customer satisfaction scores, covering each business unit. This measure

reflects the importance to our strategy of delivering safe, reliable, resilient and affordable energy to customers, while ensuring the maintenance of operational excellence.

Wider workforce

The Committee continues to evaluate Executive Director remuneration within the context of remuneration of our wider workforce. We seek to ensure that the work our colleagues do is appropriately reflected in their remuneration, ensuring colleagues receive fair and competitive packages.

We continue to maintain our commitment to paying a Living Wage as an accredited Living Wage employer in the UK and this year, achieved our goal of securing comparable accreditation in the US.

Across 2023/24, engagement scores remain very strong, with our overall employee engagement index score at 81% as part of our Grid:voice survey, four points higher than the high-performing norm. The survey had a 78% response rate and covered an array of key topics at the heart of our employee experience, including remuneration, which allows us to understand and address issues of concern to the wider workforce.

The Committee champions diversity, equity and inclusion within the workforce, encouraging National Grid to represent the communities we serve. As part of our commitment to this cause, we continue to annually report and publish data in regard to both our ethnicity and gender pay gaps. The work we do in this regard is covered within our Responsible Business Report (RBR).

The Committee also engages with the wider workforce at all levels on an array of topics, including remuneration, and details on our Non-executive Director workforce engagement sessions can be found on page 85.

Performance and remuneration outcomes during the year

Salary, pension and benefits

As published in last year's report, John Pettigrew (Chief Executive) and Andy Agg (Chief Financial Officer) both received salary increases of 4.0%, effective 1 July 2023, a figure below the average UK wider workforce increase of 8.7%.

2023/24 APP

The APP for 2023/24 was based on financial performance measures (70%), operational measures (15%), and individual objectives (15%) that reflect key business and operational performance goals.

Financial performance (70%)

The financial performance portion of the 2023/24 APP outturned at 82.0% of maximum, driven by achievement of 100.0% of maximum for Group Underlying EPS and 63.9% of maximum for Group RoE, both weighted equally.

Such strong financial performance backs a period of continued progress underpinned by the Group's ongoing delivery against strategic priorities including the cost efficiency

Key activities during the year

- Reviewed remuneration outcomes, individual outcomes, the Annual Performance Plan (APP) and the Long Term Performance Plan (LTTP)
- Reviewed the impact of the potential Rights Issue on all share plans (including all-employee plans and LTTP)
- Reviewed pay within the context of the wider workforce

Composition and Committee attendance

The Committee held two scheduled meetings and three ad hoc meetings during the year.

Committee members	Attendance
Martha Wyrsh ¹ ●	2/2
Ian Livingston ²	2/2
Iain Mackay	2/2
Anne Robinson	2/2

● Committee Chair

- Martha Wyrsh was appointed as Committee Chair from 1 October 2023 (having been a member of the Committee since September 2021). She was unable to attend two Board meetings due to a serious family illness. She received all Board papers and had the opportunity to provide comments to the Board prior to the meetings.
- Ian Livingston stepped down as Committee Chair on 1 October 2023. He remains a member of the Committee.

programme exceeding targets and delivering savings of £513 million, and capital investment of £8.2 billion.

Operational performance (15%)

We continue to align the operational performance of our business with the delivery of impactful, lasting benefits to our stakeholders. For this period, operational measures were split equally in weight, linked to Group customer satisfaction (45.0% of maximum achieved), Group Colleague 'Delivering Results' index (0.0% of maximum achieved) and Gender & Ethnic diversity (81.3% of maximum achieved). Performance against each of these measures was assessed against stretching goals, aimed at achieving material improvement in performance. On assessment of all metrics, performance was assessed as 42.1% of maximum.

Individual objectives (15%)

15% of the 2023/24 APP was linked to individual objectives for Executive Directors. Assessment against these objectives resulted in performance outcomes of 100% of maximum for John Pettigrew and 82% of maximum for Andy Agg. Detailed targets and performance are set out on page 105.

Overall assessment

In its consideration of the outcomes under the 2023/24 APP, the Committee evaluated the performance of individuals and delivery against strategic KPIs across the period. Based on the overall performance of the Group, with consideration of the individual performance of both John Pettigrew and Andy Agg, payouts under the plan for the period would have been 78.7% and 76.0% of maximum respectively.

Following the fatality in August 2023 at Ludlow, UK, the Committee decided to exercise its discretion to reduce the operational portion of the APP by half from 42.1% to 21.0% for John Pettigrew and Andy Agg. This results in the overall APP award reducing to 75.5% and 72.8% of maximum respectively for both Directors.

This decision – which is fully supported by management – reinforces that safety remains an important underpin in our APP. The Committee also reviewed other wider considerations including ESG and agreed that no other adjustments were necessary.

Further details of performance versus the 2023/24 APP are outlined on pages 103 – 105.

2021 and 2023 LTTP

The performance period for the 2021 LTTP ended on 31 March 2024. Across the period, performance was assessed with reference to two equally weighted measures, Value Growth and Group RoE, as set out in the 2020/21 Annual Report.

The formulaic outcome of the 2021 LTTP was 81.9% of maximum, driven largely by strong performance of Value Growth. Value Growth outturned at 100.0% of maximum, whilst Group RoE outturned at 63.7% of maximum. In consideration of the formulaic vesting outcome, the Committee considered the broader context of shareholder experience

and the external environment to determine whether the vesting levels were appropriate. The Committee determined that the levels of vesting under the formulaic performance reflected the strong performance, both financially and against strategic and operational targets. The Committee also evaluated whether there were any potential windfall gains over the period and deemed that no adjustments were necessary.

The 2023 LTTP was awarded during the year, the performance of which will be assessed between 1 April 2023 and 31 March 2026. The performance measures are:

- Cumulative three-year Underlying Group EPS (40%);
- Group RoE (40%);
- Reduction of Scope 1 emissions (10%); and
- Enablement of net zero transition (10%).

The details of LTTP awards vested and granted during the year can be found on pages 105 – 106.

Single total figure of remuneration

The single total figures of remuneration for 2023/24 for both John Pettigrew and Andy Agg are £6.353 million and £3.700 million respectively.

These outcomes represent the strong business performance across the period, supported by the strong outcomes under the 2023/24 APP. At the same time, both John Pettigrew and Andy Agg supported the delivery of long-term value creation during a time of increased external pressures, highlighted by the positive outcomes under the 2021 LTTP.

Policy implementation in 2024/25

Salary, pension and benefits

In reviewing the levels of fixed remuneration for the Executive Directors, the Committee considered the experience of the wider workforce. We felt it appropriate to increase the salaries of the Executive Directors at a lower rate than those provided across our colleague population.

Consequently, the Committee has awarded salary increases of 4.5% to John Pettigrew and Andy Agg, effective from 1 July 2024. This figure is lower than the average UK wider workforce increase of 5.0%.

Pensions and benefits remain unchanged.

2024/25 APP

For 2024/25, the APP will maintain the same structure as 2023/24, with some minor changes made to the assessment of performance as the Committee looks to refine the functional operation of the plan.

2024 LTTP

Awards made under the LTTP in 2024 will be consistent with the performance conditions attached to the 2023 award made. The Committee considered the current operation of the plan to be effective and aligned to the Group's strategic priorities over the coming

years and therefore approved no changes to the performance measures, which continue to be:

- Cumulative three-year Underlying Group EPS (40%);
- Group RoE (40%);
- Reduction of Scope 1 emissions (10%); and
- Enablement of net zero transition (10%).

The Committee believes these measures appropriately incentivise participants in a manner that provides clear alignment with our financial and strategic vision, as we continue to seek to deliver value for our shareholders and work towards our commitments to reach net zero.

For more details on our plans to deliver against our emissions target, please see our RBR.

Consideration of the Rights Issue

We expect to announce a Rights Issue on or around 23 May to support capital investment of around £60 billion over the next five years to deliver a step-change in critical energy infrastructure in the UK and US to support the energy transition and growth.

In light of the Rights Issue, to ensure that performance is measured on a like-for-like basis, adjustments will be made to the performance targets in relation to the 2022 and 2023 inflight LTTP awards. The performance targets in relation to the 2024/25 APP and the 2024 LTTP grant will be set taking into account the impact of the Rights Issue. We have taken the decision to delay the grant of the 2024 LTTP until the outcome of the Rights Issue is finalised to neutralise the dilutive effect of the Rights Issue on the outstanding awards and options.

Unvested or unexercised awards under our all-employee and discretionary share plans (including our LTTP) will be adjusted to take into account the Rights Issue.

Shareholder engagement

During the year, the Committee Chair engaged with shareholders as part of our commitment to ensuring remuneration at National Grid aligns with the experience of shareholders.

As we look forward to 2024/25, we will continue to engage with our shareholders throughout the year and across all stages of the upcoming review of our Directors' Remuneration Policy, to be taken to a vote at the 2025 AGM.

Conclusion

In summary, the Committee believes the remuneration results reported here reflect strong Group performance and the creation of sustainable long-term shareholder value. I look forward to continuing the Committee's commitment to engaging with shareholders and welcome any comments or feedback.



Martha Wyrsh
Committee Chair

Directors' Remuneration Report

Summary of Policy table and approach taken for 2023/24 with intended approach for 2024/25

Our Directors' Remuneration Policy (Policy) approved at the 2022 AGM sets out to ensure strong alignment with our strategic priorities and creation of value for shareholders whilst providing market competitive remuneration to enable the attraction and retention of top leadership talent.

2023/24 remuneration outcomes are aligned to the delivery of our strategy and reflect strong business and individual performance during the year. Our approach for 2024/25 aims to continue to incentivise delivery of our strategic goals.



The Policy is available on our website at nationalgrid.com/about-us/corporate-information/corporate-governance

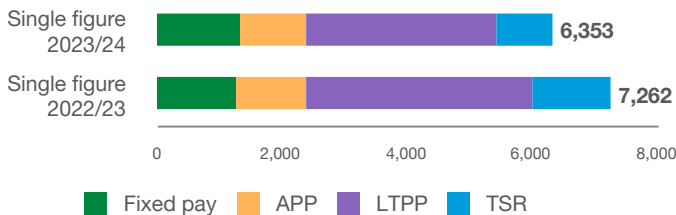
Annual report on remuneration

A comparison of the 2023/24 single total figure of remuneration to the previous year is set out below for the Executive Directors, John Pettigrew and Andy Agg. Both Executive Directors are UK based. Fixed pay consists of salary, pension and taxable benefits paid during the respective financial years.

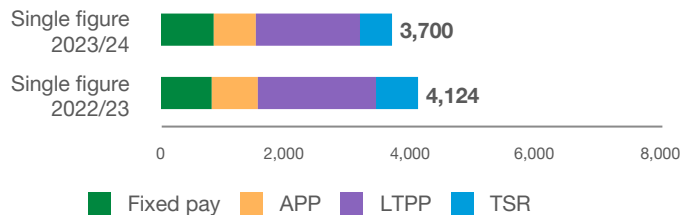
The 2023/24 single total figure of remuneration for John Pettigrew and Andy Agg is £6.353 million and £3.700 million and represent an achievement of 78.7% and 77.3% of the total maximum opportunity respectively.

These outcomes reflect strong annual performance delivery in 2023/24 and long-term value creation as evidenced in the 2021 LTPP outcome. The single total figure of remuneration is largely driven by the heavy weighting on long-term share awards which reflects the long-term nature of our business, making up to two thirds of total remuneration and around 80% of variable pay. The 81.9% vesting of the LTPP reflects the strong financial performance against our Group RoE and Value Growth measures during the performance period, as well as broader delivery against our strategy and wider stakeholder objectives. The value of the 2021 LTPP award is driven in part by a Total Shareholder Return (TSR) of 45.5% over the three-year performance period, delivering a total value of £0.926 million for John Pettigrew and £0.509 million for Andy Agg.

John Pettigrew (£'000)



Andy Agg (£'000)



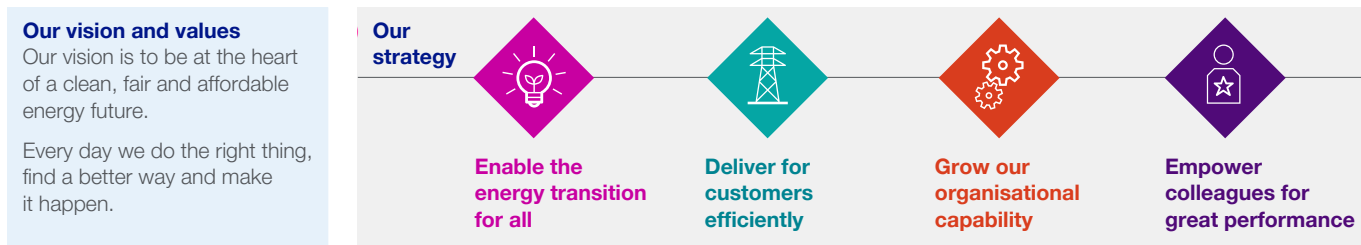
Note: The single total figure of remuneration for 2023/24 is explained in the single total figure of remuneration table for Executive Directors and single total figure for 2022/23 has been restated to reflect actual share price for 2020 LTPP vesting in 2023 and all dividend equivalent shares, consistent with comparative figures shown in this year's single total figure of remuneration table.

	Key features of Policy (approved in 2022)	Implementation of Policy in 2023/24	How we propose to implement the Policy in 2024/25
Salary increases <p>2023/24: Executive Directors 8.7%, Average UK wider workforce 4.0% 2024/25: Executive Directors 5.0%, Average UK wider workforce 4.5%</p>	<ul style="list-style-type: none"> Target broadly mid-market against FTSE 11 – 40 for UK-based Executive Directors Target the mid-market of general industry and energy services companies with similar revenue if a US-based Executive Director is appointed 	<ul style="list-style-type: none"> John Pettigrew's and Andy Agg's salaries increased by 4.0% to £1,136,200 and £747,800 as of 1 July 2023 respectively – below the average increase of 8.7% across the UK wider workforce 	<ul style="list-style-type: none"> John Pettigrew's and Andy Agg's salaries will increase by 4.5% to £1,187,300 and £781,500 respectively – below the average increase of 5.0% across the UK wider workforce
Pension and benefits (% of salary) <p>2024/25: Executive Directors 12.0%, UK wider workforce 12.0%</p>	<ul style="list-style-type: none"> Eligible to participate in a defined contribution scheme (or defined benefit if already a member) All new and existing UK-based Executive Directors will receive pension contributions of up to 12% of salary for the defined contribution scheme or cash in lieu, in line with the level for new joiners across the UK wider workforce Pensionable pay is salary only in the UK Other benefits as appropriate 	<ul style="list-style-type: none"> John Pettigrew's and Andy Agg's pension cash allowance was 12% of salary for 2023/24, in line with the UK wider workforce Other benefits remain unchanged 	<ul style="list-style-type: none"> Pension and benefits will remain unchanged

	Key features of Policy (adopted 2022)	Implementation of Policy in 2023/24	How we propose to implement the Policy in 2024/25																								
<p>APP</p> <p>2023/24 APP</p>	<ul style="list-style-type: none"> Maximum opportunity is 125% of salary 50% paid in cash and 50% paid in shares net of tax, which must be retained until the later of two years or meeting the shareholding requirement Total APP award is subject to both malus and clawback. (Note: US clawback policy requirements were adopted in 2023) 	<p>2023/24 APP</p> <table border="1"> <thead> <tr> <th>Performance measures</th> <th>Outturn (% of max)</th> </tr> </thead> <tbody> <tr> <td>Group Underlying EPS (35%)</td> <td>100.0 %</td> </tr> <tr> <td>Group RoE (35%)</td> <td>63.9 %</td> </tr> <tr> <td>Operational (15%)*</td> <td>21.0 %</td> </tr> <tr> <td>Individual: John Pettigrew (15%)</td> <td>100.0 %</td> </tr> <tr> <td>Individual: Andy Agg (15%)</td> <td>82.0 %</td> </tr> </tbody> </table> <p>* As mentioned in the Chair letter, downward discretion was applied to the operational portion of the APP.</p> <p>2023/24 APP outcome</p> <table border="1"> <thead> <tr> <th></th> <th>% of Maximum</th> <th>Actual (£'000)</th> <th>Maximum (£'000)</th> </tr> </thead> <tbody> <tr> <td>John Pettigrew</td> <td>75.5 %</td> <td>1,062</td> <td>1,407</td> </tr> <tr> <td>Andy Agg</td> <td>72.8 %</td> <td>674</td> <td>926</td> </tr> </tbody> </table>	Performance measures	Outturn (% of max)	Group Underlying EPS (35%)	100.0 %	Group RoE (35%)	63.9 %	Operational (15%)*	21.0 %	Individual: John Pettigrew (15%)	100.0 %	Individual: Andy Agg (15%)	82.0 %		% of Maximum	Actual (£'000)	Maximum (£'000)	John Pettigrew	75.5 %	1,062	1,407	Andy Agg	72.8 %	674	926	<p>Measures for 2024/25:</p> <ul style="list-style-type: none"> Group RoE (35%) Group Underlying EPS (35%) Operational measures – Customer, Colleague, Diversity (15%) Individual objectives (15%)
Performance measures	Outturn (% of max)																										
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<p>LTPP</p> <p>2021 LTPP award</p>	<ul style="list-style-type: none"> Maximum award level is 350% of salary for the Chief Executive and 300% for other Executive Directors Financial measures to comprise at least 60% of the LTPP; introduction of an ESG measure expected to make up 20% of the LTPP Vesting is subject to long-term performance conditions over a three-year performance period Shares (net of tax) must be retained until the later of two years from vesting or meeting the shareholding requirement Subject to both malus and clawback. (Note: US clawback policy requirements were adopted in 2023) 	<p>2021 LTPP</p> <table border="1"> <thead> <tr> <th>Performance measures</th> <th>Outturn (% of max)</th> </tr> </thead> <tbody> <tr> <td>Value Growth (50%)</td> <td>100.0 %</td> </tr> <tr> <td>Group RoE (50%)</td> <td>63.7 %</td> </tr> </tbody> </table> <p>2021 LTPP outcome</p> <table border="1"> <thead> <tr> <th></th> <th>% of Maximum</th> <th>Actual (£'000)</th> <th>Maximum (£'000)</th> </tr> </thead> <tbody> <tr> <td>John Pettigrew</td> <td>81.9 %</td> <td>3,944</td> <td>4,817</td> </tr> <tr> <td>Andy Agg</td> <td>81.9 %</td> <td>2,167</td> <td>2,647</td> </tr> </tbody> </table>	Performance measures	Outturn (% of max)	Value Growth (50%)	100.0 %	Group RoE (50%)	63.7 %		% of Maximum	Actual (£'000)	Maximum (£'000)	John Pettigrew	81.9 %	3,944	4,817	Andy Agg	81.9 %	2,167	2,647	<p>Measures for 2024/25:</p> <ul style="list-style-type: none"> Cumulative 3-year Underlying Group EPS (40%) Group RoE (40%) Scope 1 carbon emissions (10%) Enablement of net zero transition (10%) 						
Performance measures	Outturn (% of max)																										
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Andy Agg	81.9 %	2,167	2,647																								
<p>Shareholding requirements</p>	<p>Shareholding requirement:</p> <ul style="list-style-type: none"> 60% of salary for the Chief Executive; and 400% of salary for other Executive Directors <p>Post-employment shareholding requirement:</p> <ul style="list-style-type: none"> 200% of salary for two years 	<p>John Pettigrew and Andy Agg have met their shareholding requirements</p> <p>John Pettigrew</p> <p>Andy Agg</p> <p>0% 3,000%</p> <ul style="list-style-type: none"> Shareholding requirement Shares counting towards shareholding requirement Shares subject to performance conditions² Shares subject to continued employment³ <ol style="list-style-type: none"> Represents beneficially owned shares as well as shares held in trust as part of the APP deferred share awards Represents the 2021, 2022 and 2023 LTPP awards subject to performance conditions Represents shares held as part of the Sharesave scheme <ul style="list-style-type: none"> Nicola Shaw stepped down from the Board on 30 April 2022 and has met her post employment shareholding requirement as at 31 March 2024 	<ul style="list-style-type: none"> Shareholding requirements remain unchanged 																								
<p>Non-executive Director fees</p>	<p>Provides flexibility to reflect additional responsibilities where these are material to the roles</p> <p>Fee structure:</p> <ul style="list-style-type: none"> Chair fee (all inclusive); Basic fee; Committee Chair fee; Committee membership fee; Senior Independent Director fee; and Additional Board responsibilities fees 	<ul style="list-style-type: none"> Chair fee has remained consistent in accordance with the fee being fixed on appointment for three years Non-executive Directors' fees were reviewed last year and increased by 4.0%, with the exception of the Audit and Risk Chair fee which was increased by 9.7% given the increasing complexity within the role and to align fees at mid-market 	<ul style="list-style-type: none"> All Non-executive Directors' fees, including the Chair, will be increased by 4.5% – below the average increase of 5.0% across the UK wider workforce 																								

Alignment of remuneration with our business strategy

We align our performance linked elements of remuneration (APP and LTPP) to our strategic priorities, long-term shareholder value and our vision to be at the heart of a clean, fair and affordable energy future, together with our sustainability commitment.



Our 2022 Policy is aligned to our business strategy

Element of reward	Summary	Link to our strategy	Link to our values	Link to our Responsible Business Charter pillars
APP				
Group Underlying EPS (pence per share) (35% weighting)	A measure that evaluates earnings for the Group with targets that consider specific challenges and opportunities in the year ahead while remaining consistent with our longer-term performance goals.		Do the right thing Find a better way Make it happen	Our environment Our customers and communities Our people Responsible Business fundamentals
Group RoE (35% weighting)	A relevant and key measure of performance as a primarily regulated asset-based company with targets set to ensure strong in-year returns and operational results.		Do the right thing Find a better way Make it happen	Our environment Our customers and communities Our people Responsible Business fundamentals
Customer (5% weighting)	An equally weighted index of quantifiable and mainly externally measured customer satisfaction scores across each of the Group's business units.		Do the right thing Find a better way Make it happen	The environment Our customers and communities Our people Responsible Business fundamentals
Colleague (5% weighting)	A quantitative index from our annual Group-wide employee engagement survey (Grid:voice).		Do the right thing Find a better way Make it happen	Our environment Our customers and communities Our people Responsible Business fundamentals
Diversity (5% weighting)	A quantitative set of goals focusing on building a strong, diverse and inclusive workforce.		Do the right thing Find a better way Make it happen	Our environment Our customers and communities Our people Responsible Business fundamentals
LTPP				
Cumulative 3 year Underlying Group EPS (40% weighting)	A measure that assesses underlying EPS over the three years in the LTPP performance period.		Do the right thing Find a better way Make it happen	Our environment Our customers and communities Our people Responsible Business fundamentals
Group RoE (40% weighting)	A measure that is averaged across the three-year performance period to incentivise sustainable returns for shareholders in the longer term.		Do the right thing Find a better way Make it happen	Our environment Our customers and communities Our people Responsible Business fundamentals
Reduction of Scope 1 emissions (10% weighting)	A cumulative measure aligned to meet the Group's 2030 SBTi and long-term net zero target of 1.5°C.		Do the right thing Find a better way Make it happen	Our environment Our customers and communities Our people Responsible Business fundamentals
Enablement of net zero transition (Scope 2 and 3 emissions and strategic initiatives) (10% weighting)	A measure that assesses delivery against key net zero strategic priorities and quantified outcomes to achieve a net zero future by 2050.		Do the right thing Find a better way Make it happen	Our environment Our customers and communities Our people Responsible Business fundamentals

Statement of implementation of Policy in 2023/24

Content contained within a blue dotted box indicates that all the information in the panel is audited

2023/24 remuneration implementation

Single total figure of remuneration – Executive Directors

The following table shows a single total figure of remuneration in respect of qualifying service for 2023/24, together with comparative figures for 2022/23. All figures shown to £'000:

	John Pettigrew		Andy Agg	
	2023/24	2022/23	2023/24	2022/23
Salary	1,125	1,083	741	708
Taxable benefits	87	58	29	29
Pension	135	130	89	85
Total fixed pay	1,347	1,271	859	822
APP	1,062	1,118	674	731
LTPP	3,944	4,873	2,167	2,571
Total variable pay	5,006	5,991	2,841	3,302
Total remuneration	6,353	7,262	3,700	4,124

Notes:

Salary: John Pettigrew's and Andy Agg's salaries increased by 4.0% to £1,136,200 and £747,800 as of 1 July 2023 respectively – below the average increase of 8.7% across the UK wider workforce.

Taxable benefits: This includes private medical insurance, life assurance, allowance under the Group's flexible benefits programme, travel and accommodation expenses, a fully expensed car or cash alternative and the use of a car and a driver when required. John Pettigrew received £12,000 for his company car allowance, £2,388 for life assurance, £890 for private medical insurance, £1,000 for travel expenses and £70,848 for the use of a car and driver for 2023/24 (2022/23: approximately £43,500). The use of car and driver benefit have increased due to a cover service being used while the driver was unavailable. Andy Agg received £12,000 for his company car allowance, £6,560 for life assurance, £1,994 for private medical insurance and £9,290 for taxable accommodation and travel expenses for 2023/24. There were no Sharesave options granted to any Executive Directors during 2023/24.

Pension: Pension contributions for John Pettigrew and Andy Agg were 12% of salary for 2023/24.

LTPP: The 2021 LTPP is due to vest in July 2024. The average share price over the three months from 1 January 2024 to 31 March 2024 of 1,043.70 pence has been applied and estimated dividend equivalents are included. The 2020 LTPP figures (included in the 2022/23 column) have been restated to reflect the actual share price on vesting and all dividend equivalent shares. As the vesting share price of 1,046.52 pence was higher versus the estimate of 1,043.51 pence (and the additional dividend equivalent shares added for the dividend with a record date of 2 June 2023 with a dividend rate of 37.60 pence per share), the actual value at vesting was £13,900 higher than for the estimate published last year for John Pettigrew and £7,000 higher for Andy Agg.

Impact of TSR and share price change: The value of the 2021 LTPP award is driven in part by the share price increase of 12.9% from date of grant to date of vest and the strong TSR of 45.5% over the three-year performance period.

Malus and clawback: The Committee considered whether any or all of an award should be forfeited, even if already paid due to exceptional circumstances outlined in our Policy and determined that no action was required.

◆ Total pension benefits

John Pettigrew and Andy Agg received a cash allowance in lieu of participation in a pension arrangement. There are no additional benefits on early retirement. The values of pension contributions, received during this year, are shown in the single total figure of remuneration table.

John Pettigrew has, in addition, accrued defined benefit (DB) entitlements. He opted out of the DB scheme on 31 March 2016 with a deferred pension and lump sum payable at his normal retirement date of 26 October 2031. At 31 March 2024, John Pettigrew's accrued DB pension was £108,762 per annum and his accrued lump sum was £326,287. No additional DB entitlements have been earned over the financial year, other than an increase for price inflation due under the pension scheme rules and legislation. Under the terms of the pension scheme, if he satisfies the ill-health requirements or he is made redundant, a pension may be payable earlier than his normal retirement date. A lump sum death in service benefit is also provided in respect of these DB entitlements.

◆ 2023/24 APP

For 2023/24 APP, financial measures represent 70% of the award and operational measures and individual objectives equally represent 15% each of the award similar to 2022/23. Payment of the APP award is made 50% in shares and 50% in cash. Shares (after any sales to pay associated tax) must be retained until the shareholding requirement is met, and in any event for a minimum of two years after receipt.

For financial measures, threshold, target and stretch performance levels are set by the Committee for the performance period and pay out at 0%, 50% and 100% of the maximum calculated on a straight-line basis. Operational measures have been assessed on a four-point scale (not met, partially achieved, achieved and over-achieved) based on quantitative targets set at the beginning of the year by the Committee. Target and stretch performance levels for the individual objectives are also predetermined by the Committee for the performance period, and an assessment of the performance relative to the target and stretch performance levels is made at the end of the performance year on each objective. Executive Directors have a maximum opportunity of 125% of base salary for 2023/24.

◆ APP – Financial performance

The financial measures (70%) were weighted equally between two measures – Group Underlying EPS and Group RoE. The Group has continued to deliver strong financial performance driven by improved UK regulated performance, strong New York performance and the successful completion of the cost efficiency programme across the business.

Directors' Remuneration Report continued

Summary of Policy table and approach taken for 2023/24 with intended approach for 2024/25 continued

The financial performance outcomes of the 2023/24 APP award are summarised in the table below:

Measure	Weighting (% of APP)	Threshold	Target	Stretch	Outcome (% of max)
Group Underlying EPS (pence) ^A	35%	71.8	74.8	77.8	100.0%
		78.0			
Group RoE (%) ^A	35%	8.4%	8.8%	9.2%	63.9%
		8.9%			
Total financial outturn	70%				82.0%

^A Denotes an 'alternative performance measure' as described on page 18

Notes:
Group Underlying EPS: Technical adjustments have been made which increase the performance range (including threshold, target and stretch) by 7.3 pence. This reflects the net effect of currency adjustments, scrip issuances, US pension assumptions and US/UK pension interest and the impact of our change in Underlying EPS definition during the year to exclude the impact of NGET and NGED deferred tax. The impact of the deferred tax change has been excluded to ensure that performance is measured against the original targets.
Group RoE: Technical adjustments have been made which decrease the performance range by 0.2% to reflect the impact of the final opening equity being higher than forecast.

◆ APP – Operational performance

The operational measures (15%) were weighted equally between three key measures:

- Customer: Group customer satisfaction index;
- Colleague: 'Delivering Results' index; and
- Diversity, Equity, and Inclusion: Gender and Ethnic Diversity of senior managers (Bands A-C) and new entrants (at entry levels only)

Operational measures were assessed on a four-point scale (not met, partially achieved, achieved and over-achieved) based on quantifiable targets where possible and qualitative outcomes to reflect a balanced assessment of performance. Overall, there was a mixed performance against each measure with DEI goals being achieved, customer scores being partially achieved and delivering results scores not being met, resulting in a combined outcome of 42.1% of maximum.

However, as detailed in the Chair letter, following the fatal incident in August 2023 at Ludlow, UK, the Committee decided to exercise its discretion to reduce the operational portion of the APP by half, reducing the operational outturn from 42.1% to 21.0% for John Pettigrew and Andy Agg.

Measure	Details	Assessment	Outcome
Customer: Group customer satisfaction index (5%)	Blend of customer scores across the business units all equally weighted: <ul style="list-style-type: none"> • Customer Relationship Index for New York and New England; • Ofgem scores for UK ET and UK ED; and • Customer output measures for NGV 	New York customer score has been achieved due to improvements in brand trust, service satisfaction and customer effort	3 Achieved
		New England customer score has not been met due to a decline in service satisfaction and customer effort	1 Not met
		UK ET customer score has improved year on year but has not met targets due to a challenging year for customer connections, with significant volumes applying to connect and a great deal of uncertainty for customers surrounding two-step offers process	1 Not met
		UK ED customer score has been achieved and the business also received a reward of £0.4 million across the four license areas as part of the Broad Measure Customer Satisfaction score	3 Achieved
		NGV customer scores have been achieved and are driven by most asset reliability KPIs remaining high	3 Achieved
	Further detail on customer satisfaction can be found on page 20.		
			45%
Colleague: Group 'Delivering Results' index (5%)	Index in our annual employee engagement survey (Grid:voice) that assesses the Company values, and measures how the Company has improved the culture and achieved its vision and strategic priorities for this year	Group 'Delivering Results' index was 58% (below threshold). The scores show a mixed picture across the business and highlight a need to align with colleagues better on the culture, values and strategic priorities of the Group.	1 Not met
			0%
DEI: Gender and ethnic diversity of senior managers and above and of new entrants	A goal that focuses on the overall gender diversity and ethnic diversity of senior managers and above (Band A-Cs) as well as new entrants (entry level only) to the workforce	2023/24 saw an established, compelling set of DEI initiatives and management actions that have had a positive, sustainable impact on gender diversity and ethnic diversity goals. Gender diversity and ethnic diversity of senior managers and above was over-achieved and achieved respectively. Gender diversity and ethnic diversity for new entrants, measured at Group level, was achieved for both the measures.	3 Achieved
			81.3%
Combined operational outcome			42.1%
Post discretion – Combined operational outcome			21.0%

◆ APP – Individual objectives

In addition to the financial and operational goals outlined above, the Board approves annual individual performance goals for the Executive Directors in line with key operational and strategic priorities. As part of the process for assessing individual performance, the Chief Executive provided the Board with a comprehensive review of company performance and his individual contributions relative to the previously adopted goals. Upon assessment, the Board considered that the Chief Executive's performance had contributed significantly to the progress made across each of the goals. The Chief Executive undertook the same process for the Chief Financial Officer and presented his recommendations to the Committee in March 2024. The following table sets out the 2023/24 individual objectives together with associated performance commentaries and the Committee's assessment of the performance outcome for each of the Executive Directors:

Individual objectives and performance summary – John Pettigrew

Outcome

Achieve greater clarity on future transmission and related investment in the UK in support of net zero

- Significant progress in mobilising Strategic Infrastructure to deliver accelerated transmission projects and creating capabilities to deliver the capital delivery programme
- Great progress in the delivery and acceleration of new clean energy projects in the UK

Advance a framework of agreement on the future of natural gas in the US

- Significant effort has been placed on building relationships with key administrators and regulators to influence the future of natural gas. There is a recognition that continued investment in the gas network is important for safety and reliability
- There will be continued work with relevant parties to secure regulatory support and long-term investment in our Clean Energy Vision

100%

Continue to develop leaders for the future

- There has been a strengthening of future leadership through key hires, furthering diversity and transformation capabilities within the top 100 leaders
- Improved succession planning at senior levels and launched bespoke development programmes to enhance leadership capabilities within the business

Individual objectives and performance summary – Andy Agg

Outcome

Ensure financing strategy underpinning Group strategy is agreed by the Board with strong investor support

- Successfully initiated the separation of ESO; on track to execute full separation in 2024
- Approved refreshed financing strategy alongside updated 5-year plan
- Built on existing stakeholder support, meeting a significant portion of the shareholder register and maintaining a global reach

Enhance our supply chain focus and capabilities to enable a time- and cost-effective delivery of capital projects

- Successfully developed and executed numerous Business Unit-specific supply chain plans
- Successfully launched a strategic supplier engagement programme across multiple suppliers during the year
- Secured the Great Grid Partnership to support Strategic Infrastructure projects
- Delivered efficiency savings and on track to deliver UK ED synergy totex savings in full

82%

Deliver CFO transformation roadmap

- Delivered significant value through transformation initiatives
- Launched and implemented a number of projects including US Ariba, SAC Planning and Co-pilot headcount validation tools
- Made significant progress on controls initiatives in delivering our 2023/24 Controls roadmap

Improve and deepen leadership capabilities and succession pipeline

- Successfully restructured the finance organisation
- Successfully onboarded the first cohort of apprentices in the UK and implemented a new talent pipeline programme in the US

◆ 2021 LTPP**◆ Performance conditions**

The 2021 LTPP will vest on 1 July 2024 and was based on equal weighting for Group RoE (50%) and Value Growth (50%), measured over the entire three-year performance period (2021/22 – 2023/24). The financial measures and weightings of the 2021 LTPP below are the same for all Executive Directors.

As detailed in the Chair letter, the outturns of the 2021 LTPP are reflective of the business' performance over the period and are summarised below. This is driven by the acquisition of UK ED in June 2021, the successful completion of the Evolution cost efficiency programme exceeding targets and delivering savings of £513 million, and the commencement of T2 and ED2 price controls alongside new rate cases in the US. We also executed several non-core asset disposals including St William and Millennium driving further shareholder value. The outturns are summarised below:

Performance measure	Weighting	Threshold 20% vesting	Maximum 100% vesting	Actual % of maximum
Group RoE ^A	50.0 %	9.75%	11.00 %	63.7 %
Value Growth ^A	50.0 %	9.25%	11.00 %	100.0 %
				81.9 %

^A Denotes an 'alternative performance measure' as described on page 18

◆ Vesting

The amounts due to vest under the 2021 LTPP for the performance period that ended on 31 March 2024 are included in the 2023/24 single total figure table on page 103 and are shown in the table below. The current share price valuation is an estimate based on the average share price over the three months from 1 January 2024 to 31 March 2024 of 1,043.70 pence and the proposed 2023/24 final dividend with record date of 7 June 2024, subject to shareholder approval, is included. The total value of awards vesting, and dividend equivalent shares are subject to a two-year holding period.

The Committee considered wider business factors, such as underlying financial performance, ESG considerations, potential windfall gains and shareholder experience, when determining the final outturn for the 2021 LTPP and were comfortable that no adjustments were required. While the 2021 LTPP performance measures, for the performance period that ended on 31 March 2024, are not impacted by the Rights Issue, the number of award shares due to vest on 1 July 2024 will be impacted by the Rights Issue, as mentioned in the Committee Chair letter. The adjustment for the in-flight 2021 LTPP award shares will be disclosed in the 2024/25 Directors' Remuneration Report.

	Shares awarded	Performance outcome (% of maximum)	Vested shares based on performance	Face value of the award at grant (£'000)	Share price appreciation (£'000)	Dividend equivalent shares (£'000)	Total value (£'000)
John Pettigrew	398,568	81.9	326,287	3,017	388	538	3,944
Andy Agg	218,993	81.9	179,278	1,658	213	296	2,167

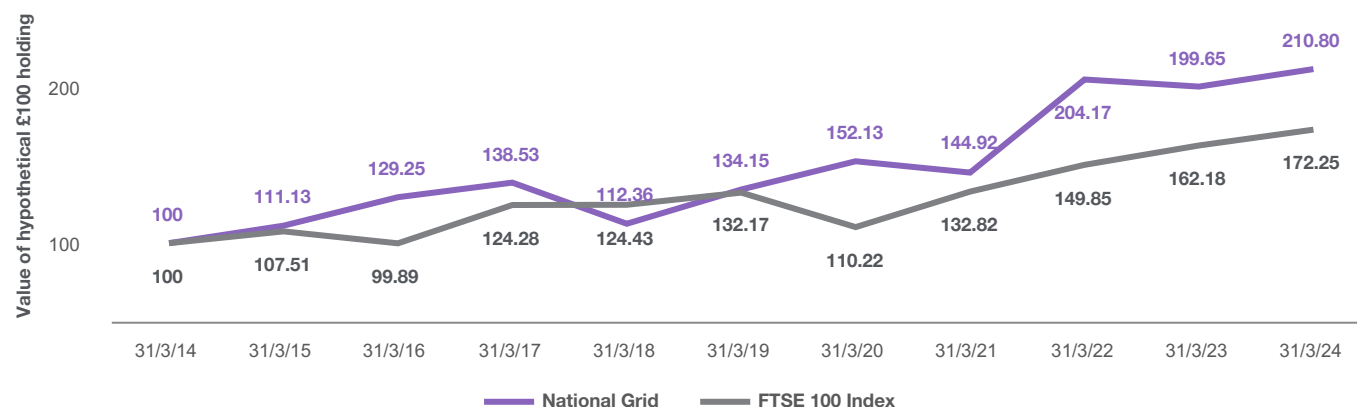
Directors' Remuneration Report continued

Summary of Policy table and approach taken for 2023/24 with intended approach for 2024/25 continued

◆ Assessment of National Grid shareholder returns

National Grid plc's 10-year annual TSR performance against the FTSE 100 Index since 31 March 2014 is shown below and illustrates the growth in value of a notional £100 holding invested in National Grid plc on 31 March 2014, compared with the same invested in the FTSE 100 Index. The FTSE 100 Index has been chosen because it is a widely-recognised performance benchmark for large companies in the UK and it is a useful reference to assess relative value creation for National Grid plc shareholders. Over the last 10-year period, National Grid plc's TSR is 211% versus the FTSE 100 Index at 172%, demonstrating sustainable long-term value for our shareholders.

◆ Total Shareholder Return (£)



◆ 2023 LTTP

◆ Performance conditions

For the 2023 LTTP, the performance measures comprise of two equally weighted financial measures totalling 80% and two equally weighted net zero transition measures totalling 20% over the three-year performance period, as outlined in the table below.

Performance measure	Weighting	Threshold 20% vesting	Maximum 100% vesting
Cumulative three-year Underlying Group EPS ^A	40 %	201 p	219 p
Group RoE ^A	40 %	8.25 %	9.50 %
National Grid Scope 1 emissions	10 %	-77 ktCO ₂ e	-127 ktCO ₂ e
Enablement of net zero transition: Strategic initiatives (Scope 2 and 3)	10 %	There are four key areas of focus (US energy-efficiency programmes, UK net zero transmission strategy, US future of gas strategy and low-carbon electricity distribution investment) which will be measured on a four-point scale (below threshold, between threshold and target, on or above target and stretch and above) based on delivery of quantifiable and qualitative outcomes.	

Notes: Vesting between threshold and maximum will be on a straight-line basis.

^A Denotes an 'alternative performance measure' as described on page 18

In light of the Rights Issue, the Committee reviewed the performance conditions outlined above, noting that the issue of additional equity will have an impact on the Cumulative three-year Underlying Group EPS and Group RoE. To ensure that performance is measured on a like-for-like basis, adjustments will be made to the performance targets in relation to the 2022 and 2023 inflight LTTP awards.

◆ Conditional awards made during the year

The face value of the awards are calculated using the volume weighted average share price at the date of grant. The share price at the date of grant on 28 June 2023 was 1,046.14 pence. The 2023 LTTP will vest on 1 July 2026. The total value of awards vesting and dividend equivalent shares are subject to a two-year holding period following vesting. As noted in the Committee Chair letter, unvested or unexercised awards under our all-employee and discretionary share plans (including our LTTP) will be adjusted to take account of the Rights Issue and will be disclosed in the subsequent Directors' Remuneration Report.

	Basis of award (% of base)	Number of shares	Face value (£'000)	Proportion vesting at threshold performance	Performance period end date
John Pettigrew	350 %	380,130	3,977	20 %	31 March 2026
Andy Agg	300 %	214,445	2,243	20 %	31 March 2026

Statement of Directors' shareholdings and share interests

The Executive Directors are required to build up and hold a shareholding from vested share plan awards until their shareholding requirement is met. Until this point, Executive Directors will not be permitted to sell shares, other than to pay income tax liabilities on shares just vested or in exceptional circumstances approved by the Committee. The following table shows the position of each of the Executive Directors in relation to the shareholding requirement. The shareholding is as at 31 March 2024 and the salary used to calculate the value of the shareholding is the gross salary as at 31 March 2024. The table also presents the number of shares owned by the Non-executive Directors, including their connected persons.

Both John Pettigrew and Andy Agg have met their shareholding requirement.

Further shares have been purchased in April and May 2024 on behalf of each of John Pettigrew and Andy Agg as part of the Share Incentive Plan (SIP) (an HMRC tax-advantaged all-employee share plan), thereby increasing the beneficial interests by 28 shares (14 each in April and May) for both John Pettigrew and Andy Agg. There have been no other changes in Directors' shareholdings between 1 April 2024 and 22 May 2024.

Directors	Share ownership requirements (multiple of salary)	Number of shares/ADSs owned outright (including associated persons and SIP for Executive Directors)	Value of shares held as a multiple of current salary (excluding closely associated persons)	Number of options granted under the Sharesave Plan	Conditional share awards subject to performance conditions (LTPP 2021, 2022 and 2023)
Executive Directors					
John Pettigrew	500 %	1,543,276	1,457 %	4,219	1,136,304
Andy Agg	400 %	476,855	684 %	4,316	635,165
Non-executive Directors					
Paula Rosput Reynolds (ADSs)	—	2,000	—	—	—
Anne Robinson (ADSs)	—	—	—	—	—
Earl Shipp (ADSs)	—	1,000	—	—	—
Iain Mackay	—	—	—	—	—
Ian Livingston	—	1,838	—	—	—
Jacqui Ferguson	—	—	—	—	—
Jonathan Silver (ADSs)	—	—	—	—	—
Martha Wyrsh (ADSs)	—	5,000	—	—	—
Tony Wood	—	2,000	—	—	—
Former Non-executive Directors					
Liz Hewitt	—	2,500	—	—	—
Thérèse Esperdy (ADSs)	—	1,587	—	—	—

Notes:

John Pettigrew: On 31 March 2024, John Pettigrew held 4,219 options granted under the Sharesave Plan with an exercise price of 711 pence per share (the 20% discounted option price) which can, subject to their terms, be exercised at 711 pence per share between 1 April 2025 and 30 September 2025. The number of conditional share awards subject to performance conditions is as follows: 2021 LTPP: 398,568; 2022 LTPP: 357,606; 2023 LTPP: 380,130.

Andy Agg: On 31 March 2024, Andy Agg held 4,316 options granted under the Sharesave Plan with an exercise price of 695 pence per share (the 20% discounted option price) and they can, subject to their terms, be exercised at 695 pence per share between 1 April 2026 and 30 September 2026. The number of conditional share awards subject to performance conditions is as follows: 2021 LTPP: 218,993; 2022 LTPP: 201,727; 2023 LTPP: 214,445.

Paula Rosput Reynolds, Thérèse Esperdy, Earl Shipp, Jonathan Silver, Martha Wyrsh and Anne Robinson: Holdings are shown as American Depositary Shares (ADSs) and each ADS represents five ordinary shares.

Post-employment shareholding requirements

Past Executive Directors are required to continue to hold their vested shares/ADSs post employment for a period of two years in line with our current Policy.

To enforce this, the Executive Directors have given permission for the Group to periodically check with its third-party share scheme administrator whether the minimum shareholding requirement is being maintained. The Executive Directors have acknowledged that if they breach their post-employment shareholding requirement for any reason, the Group may enforce at its discretion one or more of the following processes: to request they repay to the Group an amount equivalent in value to the shareholding requirement that has not been met; the Group may withdraw/vary the vesting of any future shares granted under the LTPP; the Company may publish a public statement in a form, as the Group may decide, that the Director has failed to comply with the post-employment shareholding requirement. Executive Directors are reminded annually and when employed, of the post-employment shareholding requirement. At termination, the minimum shareholding requirement is confirmed to the Director and checks are made by the Group at the 12-month and 24-month anniversary of leaving and at the relevant financial year end, 31 March, to ascertain if their post-employment shareholding requirement has been met.

Nicola Shaw stood down from the Board on 26 July 2021 and her termination date was 30 April 2022, at which time she was subject to a post-employment shareholding requirement of 200% of salary at termination for a period of two years. As of 31 March 2024, Nicola Shaw continues to meet her post-employment shareholding requirement.

Shareholder dilution

All Company employees are encouraged to become shareholders through a number of all-employee share plans and a significant proportion of our employees participate annually. These plans include Sharesave and the SIP in the UK and the US Employee Stock Purchase Plan (ESPP) and US Incentive Thrift Plan (commonly referred to as a 401(k) plan) in the US which are summarised on page 238 and in our Policy.

Where shares may be issued or treasury shares reissued to satisfy incentives, the aggregate dilution resulting from executive or discretionary share-based incentives will not exceed 5% in any 10-year period. Dilution resulting from all incentives, including all-employee incentives, will not exceed 10% in any 10-year period. The Committee reviews dilution levels against these limits annually and under these limits the Company, as at 31 March 2024, had a headroom of 3.82% and 7.69% respectively.

Unvested or unexercised awards under our all-employee and discretionary share plans will be adjusted to take account of the Rights Issue.

Chief Executive pay ratio

We have disclosed our Chief Executive pay ratios comparing the single total figure of remuneration of the Chief Executive to the equivalent pay for the 25th percentile, median and 75th percentile UK employees (calculated on a full-time equivalent basis), as well as the median Group-wide pay ratio.

The Chief Executive pay ratio has decreased from 111:1 to 90:1 at the UK median, primarily due to the impact of the 2021 LTPP award on the Chief Executive's decreased single total figure of remuneration this year as well as the pay and benefits of employees increasing from last year. The Group median pay ratio has decreased as well compared with last year due to the same increase in wages being applied in the US.

Excluding estimated 2021 LTPP vesting, our UK median pay ratio has decreased from 37:1 in 2022/23 to 34:1 this year and our Group pay ratio remained consistent at 25:1 for both years.

Directors' Remuneration Report continued

Summary of Policy table and approach taken for 2023/24 with intended approach for 2024/25 continued

Year	Method	UK			Group-wide
		25th percentile pay ratio	Median pay ratio	75th percentile pay ratio	Median pay ratio
2023/24	Option A	117	90	69	65
2022/23	Option A	144	111	86	76
2021/22	Option A	135	105	81	76
2020/21	Option A	104	81	62	54
2019/20	Option A	111	86	66	53
2018/19 – voluntary	Option A	96	76	58	48

Notes: Salaries as at 31 March 2024 and estimated performance-based annual payments for 2023/24 have been annualised for part-time employees to reflect full-time equivalents. Performance payments have not been further adjusted to compensate where new employees have not completed a full performance year. The comparison with UK employees is specified by the 2018 amendment of the The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. US employees represent approximately 55% of our total employees. Our median pay ratio on a Group-wide basis is outlined above and calculated on the same basis as the UK pay ratios and at an exchange rate of \$1.2624:£1.

Changes in the Chief Executive pay ratio reflect the fact that a key feature of our executive and senior leadership remuneration strategy is heavily weighted towards longer-term performance share-based reward, resulting in larger swings year-on-year than the wider workforce. Across the wider workforce, employee remuneration is largely focused on in-year annual delivery.

The 2023/24 salary and total pay including benefits for the Chief Executive versus UK employees is shown below.

2023/24 Salary and benefits – Chief Executive versus UK wider workforce

	Chief Executive Remuneration	UK employee 25th percentile	UK employee median	UK employee 75th percentile
Salary	£1,125,275	£41,913	£48,369	£63,000
Total pay and benefits	£6,353,185	£54,098	£70,388	£92,336

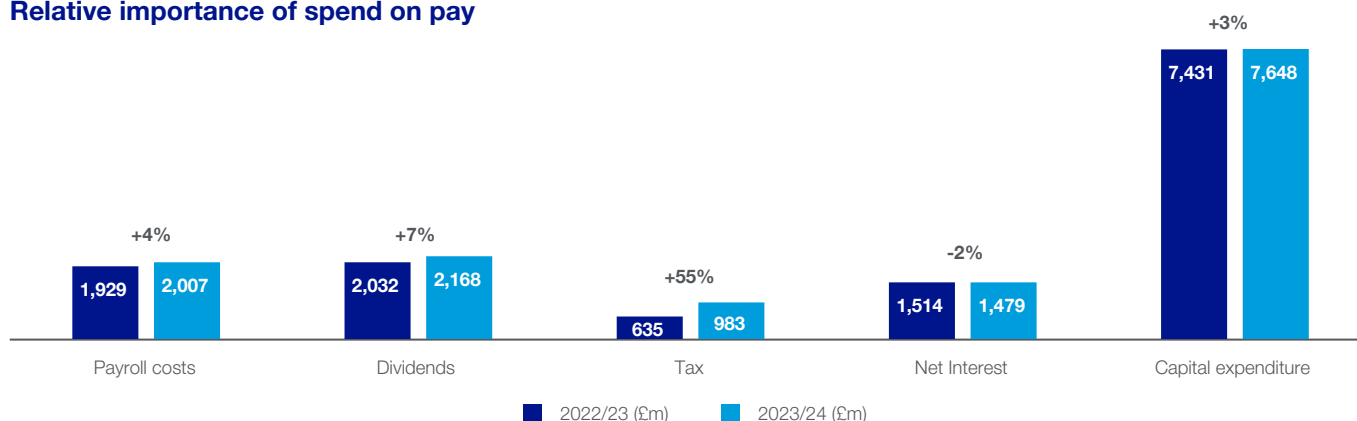
We have chosen to use Option A in calculating the ratios, which is a calculation based on the pay of all UK employees on a full-time equivalent basis, as this option is considered to be more statistically robust. The ratios are based on total pay and benefits inclusive of short-term and long-term incentives applicable for the respective financial year (1 April – 31 March). The reference employees at the 25th, median and 75th percentile have been determined by reference to pay and taxable benefits as at the last day of the respective financial year, 31 March, with estimates for the respective APP payouts and performance outcomes of the LTPP and dividend equivalents.

We are satisfied that the median pay ratio reported this year is consistent with our wider pay, reward and progression policies for employees. The median reference employee falls within our collectively bargained employee population and has the opportunity for annual pay increases, annual performance payments and career progression and development opportunities. The Chief Executive received a pay increase of 4.0% in 2022/23, below the UK wider workforce increase of 8.7%. For reference, in 2024/25, the Chief Executive will receive a 4.5% pay increase, which is below the UK wider workforce increase of 5.0%.

Relative importance of spend on pay

The chart below shows the relative importance of spend on pay compared with other costs and disbursements (dividends, tax, net interest and capital expenditure). Given the capital-intensive nature of our business and the scale of our operations, these costs were chosen as the most relevant measures for comparison purposes. All amounts exclude exceptional items and remeasurements.

Relative importance of spend on pay



Notes:

1. Presented on a continuing basis only
2. Percentage increase/decrease of the costs between years is shown

Chief Executive's pay in the last 10 financial years

Steve Holliday was Chief Executive throughout the two-year period from 2014/15 to 2015/16. John Pettigrew became Chief Executive on 1 April 2016.

	Steve Holliday		John Pettigrew							
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Single total figure of remuneration (£'000)	4,845	5,151	4,623	3,648	4,651	5,205	5,071	6,614	7,262	6,353
Single total figure of remuneration including only 2014 LTPP (£'000)			3,931							
APP (proportion of maximum awarded)	94.80 %	94.60 %	73.86 %	82.90 %	84.20 %	70.58 %	80.43 %	85.20 %	82.62 %	75.50 %
LTPP (proportion of maximum vesting)	55.81 %	63.45 %	90.41 %	85.20 %	84.20 %	84.90 %	68.00 %	74.22 %	100.00 %	81.87 %

Notes:

John Pettigrew: The single total figure of remuneration for 2023/24 is explained in the single total figure of remuneration table for Executive Directors and single total figure for 2022/23 has been restated to reflect actual share price for 2020 LTPP vesting in 2023 and all dividend equivalent shares, consistent with comparative figures shown in this year's single total figure of remuneration table.

2014 LTPP: The 2016/17 single total figure of remuneration includes both the 2013 LTPP award and the 2014 LTPP award due to a change in the vesting period from four years (2013 LTPP) to three years (2014 LTPP).

LTPP plans: Prior to 2014, LTPP awards were made under a different long-term incentive framework which incorporated a four-year performance period for the RoE element of the awards. The last award under this framework was made in 2013 and was fully vested in 2017. Awards made from 2014 are subject to a three-year performance period. The first of these awards vested in 2017.

Single total figure of remuneration – Non-executive Directors

The following table shows a single total figure in respect of qualifying service for 2023/24, together with comparative figures for 2022/23:

	Fees (£'000)		Other emoluments (£'000)		Total (£'000)		
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	
Paula Rospit Reynolds	700	700	56	56	756	756	
Anne Robinson	116	110	11	14	127	125	
Earl Shipp	124	123	11	22	134	145	
Iain Mackay	Appointed on 11.07.2022	143	89	22	—	165	89
Ian Livingston		162	142	—	1	162	142
Jacqui Ferguson	Appointed on 01.01.2024	27	—	1	—	28	—
Jonathan Silver		122	124	12	45	133	169
Martha Wyrtsch		123	117	8	12	131	129
Tony Wood		113	117	14	18	128	135
Former Non-executive Directors							
Liz Hewitt	Resigned on 31.01.2024	101	128	4	10	105	47
Thérèse Esperdy	Resigned on 31.12.2023	133	180	12	18	145	199
Total		1,863	1,830	151	195	2,013	2,025

Notes: Non-executive Director fee increases approved in 2022/23 were effective from 1 July 2023.

Other emoluments: In accordance with the Group's expenses policies, Non-executive Directors receive reimbursement for their reasonable expenses for attending Board meetings. In instances where these costs are treated by HMRC as taxable benefits, the Group also meets the associated tax cost to the Non-executive Directors through a PAYE settlement agreement with HMRC and these costs are included in the table above.

Iain Mackay: Joined the Finance Committee as a member effective 1 October 2023.

Ian Livingston: Appointed Chair of the Finance Committee and stepped down as Chair of the Remuneration Committee and remains a member effective 1 October 2023. Appointed as the Senior Independent Director effective 31 December 2023.

Jacqui Ferguson: Joined the Board on 1 January 2024 as a Non-executive Director and member of Audit and Risk Committee.

Martha Wyrtsch: Appointed Chair of the Remuneration Committee effective 1 October 2023.

Liz Hewitt: Stepped down from the Board on 31 January 2024.

Thérèse Esperdy: Stepped down as Chair of the Finance Committee effective 1 October 2023 and stepped down from the Board on 31 December 2023.

The total emoluments paid to Executive and Non-Executive Directors in the year were £12.1 million (2022/23: £13.4 million).

Percentage change in remuneration (Executive Directors, Non-executive Directors, employee average)

We have included percentage change in salary/fee, bonus and benefits for each of the Directors compared with prior years. The regulations cover employees of the Parent Company only and not across the Group, and given most employees, if not all, are employed by subsidiary undertakings, we have voluntarily chosen a comparator group of all employees in the UK and the US to provide a representative comparison. In line with the regulations, we shall build this information to display a five-year history by 2024/25.

Directors' Remuneration Report continued

Summary of Policy table and approach taken for 2023/24 with intended approach for 2024/25 continued

Executive Directors	2020/21			2021/22			2022/23			2023/24		
	Salary	Benefits	Bonus	Salary	Benefits	Bonus	Salary	Benefits	Bonus	Salary	Benefits	Bonus
John Pettigrew	1.3 %	(4.7)%	15.4 %	1.7 %	(8.8)%	7.8 %	3.4 %	(42.0)%	0.3 %	3.9 %	48.9 %	(5.0)%
Andy Agg	4.9 %	40.6 %	17.7 %	6.5 %	(31.6)%	15.9 %	6.5 %	32.6 %	2.1 %	4.6 %	0.3 %	(7.8)%
Non-executive Directors												
Paula Rosput Reynolds	n/a	n/a	n/a	2816.8 %	n/a	n/a	16.9 %	217.1 %	n/a	– %	0.4 %	n/a
Anne Robinson	n/a	n/a	n/a	n/a	n/a	n/a	474.0 %	n/a	n/a	5.4 %	(23.7)%	n/a
Earl Shipp	0.5 %	(100.0)%	n/a	8.6 %	n/a	n/a	9.0 %	208.6 %	n/a	0.7 %	(51.6)%	n/a
Iain Mackay ¹	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	60.7 %	9695.4 %	n/a
Ian Livingston	n/a	n/a	n/a	n/a	n/a	n/a	113.2 %	3.0 %	n/a	14.3 %	(100.0)%	n/a
Jacqui Ferguson ²	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jonathan Silver	14.3 %	(100.0)%	n/a	(4.2)%	n/a	n/a	24.5 %	383.6 %	n/a	(1.7)%	(74.2)%	n/a
Martha Wyrsh	n/a	n/a	n/a	n/a	n/a	n/a	111.0 %	280.3 %	n/a	4.5 %	(30.6)%	n/a
Tony Wood	n/a	n/a	n/a	n/a	n/a	n/a	144.2 %	857.5 %	n/a	(3.1)%	(19.0)%	n/a
Former Non-executive Directors												
Liz Hewitt ³	334.8 %	(100.0)%	n/a	14.5 %	n/a	n/a	12.8 %	12.0 %	n/a	(21.0)%	(55.0)%	n/a
Thérèse Esperdy ³	0.4 %	(100.0)%	n/a	(0.8)%	n/a	n/a	28.2 %	84.8 %	n/a	(26.2)%	(35.3)%	n/a
Employee median	(8.5)%	1.7 %	(5.5)%	2.8 %	6.1 %	40.0 %	12.4 %	36.4 %	(23.0)%	5.0 %	6.6 %	(3.8)%

Notes:

- Iain Mackay was appointed to the Board on 11 July 2022, therefore 2022/23 fees and benefits were prorated.
- Jacqui Ferguson was appointed to the Board on 1 January 2024, therefore percentage change is not applicable for 2023/24.
- Liz Hewitt and Thérèse Esperdy resigned from the Board effective 31 January 2024 and 31 December 2023 respectively, therefore received prorated fees for the financial year.
- Benefits/other emoluments:** For Executive Directors, benefits include private medical insurance, life assurance, allowance under the Group's flexible benefits programme, travel and accommodation expenses, a fully expensed car or cash alternative and the use of a car and a driver when required. For Non-executive Directors, the equivalent of benefits is emoluments. In accordance with the Group's expenses policies, Non-executive Directors receive reimbursement for their reasonable expenses for attending Board meetings. In instances where these costs are treated by HMRC as taxable benefits, the Group also meets the associated tax cost to the Non-executive Directors through a PAYE settlement agreement with HMRC and these costs are included in the table above. The 2022/23 year-on-year increase on Non-executive Directors benefits was due to global travel returning to pre-pandemic levels; therefore Directors travelled several times during the year incurring travel/accommodation expenses.

Service contracts/letters of appointment

In line with our Policy, all Executive Directors have service contracts which are terminable by either party with 12 months' notice commencing immediately after announcement. Non-executive Directors are subject to letters of appointment. The Board Chair's appointment is subject to six months' notice by either party; for other Non-executive Directors, notice is one month. All Directors are required to be elected at each AGM.

There have been no changes made to Directors' service contracts and letters of appointment, other than the additional US Clawback Policy, which was adopted in line with the New York Stock Exchange rules requirement. Copies of service contracts and letters of appointment are available for inspection at the Company's registered office.

Payments for loss of office and payments to past Directors

As mentioned in last year's Directors' Remuneration Report, Nicola Shaw stood down from the Board on 26 July 2021 and remained in active employment until 31 October 2021.

The Committee agreed to grant good leaver treatment for Nicola Shaw's in-flight LTPP awards given her overall long-term strong performance and contribution to the business. The 2020 LTPP figure published in our Directors' Remuneration Report 2022/23 (page 102) of £1,336,277 is restated to £1,340,142 to reflect the actual share price on vesting and all dividend equivalent shares. As the vesting share price of 1,046.52 pence was higher versus the estimate of 1,043.51 pence (and the additional dividend equivalent shares added for the dividend with a record date of 2 June 2023 with a dividend rate of 37.60 pence per share), the actual value at vesting was £3,900 more than for the estimate published last year. Similar to last year, all payments are in accordance with her service agreement, the Policy and in line with our June 2021 RNS announcement and subject to applicable tax withholdings.

There have been no other payments made to past Directors during 2023/24.

External appointments and retention of fees

As per our Policy, Executive Directors may, with the approval of the Board, accept one external appointment as a Non-executive Director of another company and retain any fees received for the appointment. Experience as a board member of another company is considered to be valuable personal development, which in turn is of benefit to the Company. The table below details the Executive Directors' appointments as Non-executive Director in other companies during the year ended 31 March 2024

	Company	Retained fees
John Pettigrew	Rentokil Initial plc	£100,000
Andy Agg	Weir Group plc	£6,651

Note: Andy Agg was appointed to the Weir Group plc Board as an independent Non-Executive Director effective 27 February 2024.

Role of the Remuneration Committee

The Committee is responsible for recommending to the Board the Remuneration Policy for the Executive Directors. The Committee is also responsible for approving the remuneration of the other members of the Group Executive Committee and the Chair. The aim is to align the Policy to the Group strategy and key business objectives, and ensure it reflects our shareholders', customers' and regulators' interests. The Committee receives input on Policy implementation at the wider workforce level before making decisions on matters such as salary increases and annual incentive payouts and closely reviews the appropriateness of pay positioning by reference to external measures (benchmarking remuneration packages) and internal review of Group performance and pay gaps (chief executive pay ratios, gender and ethnicity pay gaps) and the relativity year-on-year of salary, benefits and annual performance incentives compared with the same for the rest of the workforce.

- **Clarity:** We identify and communicate a range of performance measures in our incentives which clearly link to the successful execution of the Group's strategy.
- **Simplicity:** Elements of our remuneration framework and their purpose are clearly articulated within our market-standard policy and we believe this is understood by all our stakeholders.
- **Risk:** Risk is managed in a number of ways and evidenced through our Policy, for example: setting maximum levels for incentive plans; implementing measures that are aligned to Group performance and shareholder interests; focusing on the long term and creating value through the LTPP; reviewing formulaic outcomes; malus and clawback provisions including the new US Clawback Policy; and having a high shareholding requirement for senior executives.
- **Predictability:** Full information on the potential values which could be earned are disclosed; our Policy outlines threshold, target and maximum opportunity with varying actual incentive outcomes dependent on performance; and all the checks and balances set out above under Risk are disclosed as part of the Policy.
- **Proportionality:** While incentive plans reward executives' performance in successfully delivering the business strategy, there is also a focus on sustaining this through holding periods that apply to vested shares and annual incentives paid out as shares; all executives are also subject to significant shareholding and post-employment shareholding requirements. The Policy does not reward poor performance and the range of potential payouts under the Policy is appropriate.
- **Alignment to culture and strategy:** Our culture recognises that how we do things is as vital as what we do and this is reflected in the type of performance conditions used in our incentive plans. Both the measures themselves and the targets set aim to reinforce this approach.

Our Policy has operated as intended in terms of Group performance and quantum; a review of key considerations and decisions pertaining to its implementation is provided in the Committee Chair's statement.

The Committee's activities in 2023/24

Meeting/circulations	Main areas of discussion
April 2023	Discussion on the 2022/23 APP provisional outturns Discussion on the 2023/24 APP measures and targets including the individual objectives for the Group Executive Committee Discussion on a number of governance updates including share dilution limits and shareholding for the Group Executive Committee
May 2023	Approval of 2022/23 APP and 2020 LTPP outcomes for the Group Executive Committee Approval of pay decisions for the Group Executive Committee Review of Chair fees Approval of the 2023/24 APP financial, operational and individual objectives and 2023 LTPP targets for the Group Executive Committee; Discussion on the 2022/23 Directors' Remuneration Report Discussion on new US clawback requirement
September 2023*	Item related to a Group Executive Committee member leaving arrangement
November 2023	AGM update Approval of investor engagement plan for 2023/24 Update on the 2023/24 APP and 2021 LTPP provisional outturns for the Group Executive Committee Approval of the US Clawback Policy Items related to various Group Executive Committee members' (i) leaving arrangements and (ii) remuneration arrangements Proposal for the 2023/24 APP strategic objective for a new Group Executive Committee member Approval of the 2023/24 Sharesave Plan
February 2024*	Item related to a Group Executive Committee member remuneration arrangement
March 2024	Discussion of the impact of the potential Rights Issue on share plans and performance conditions External market update and evolving governance Discussion on the 2023/24 expected incentive plan outcomes (APP and outstanding LTPP) for the Group Executive Committee Discussion on the 2024/25 APP financial, operational and individual objectives and 2024 LTPP award for the Group Executive Committee Market data review, base salary increase proposals, in context of wider workforce increases, for the Group Executive Committee Review of broader workforce remuneration and approval of the Gender and Ethnicity Pay Gap calculation

*By circulation

Directors' Remuneration Report continued

Summary of Policy table and approach taken for 2023/24 with intended approach for 2024/25 continued

Advisors to the Remuneration Committee

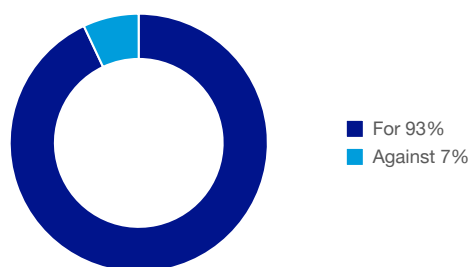
PricewaterhouseCoopers LLP (PwC) was selected by the Committee to become its independent advisor from 3 August 2020 and provided advice and counsel to the Committee throughout 2023/24. PwC is a member of the Remuneration Consultants Group (RCG) and has signed up to RCG's code of conduct. The Committee is satisfied that any potential conflicts were appropriately managed. Work undertaken by PwC in its role as independent advisor to the Committee has incurred fees of £102,500 during the 2023/24 on the basis of time charged to perform services and deliverables.

The Committee reviews the objectivity and independence of the advice it receives from its advisors each year. It is satisfied that PwC provided credible and professional advice. PwC has provided general and technical remuneration services in relation to employees below Board and Group Executive Committee level that include broad-based employee reward support and data assurance services. In addition, WTW provided benchmarking support to the Committee in the year and incurred fees of £34,200.

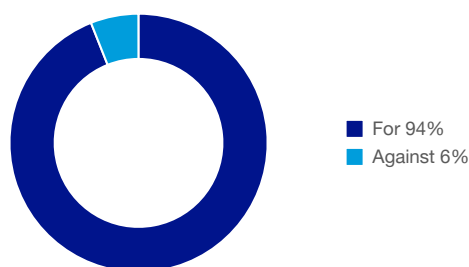
The Committee considers the views of the Chair on the performance and remuneration of the Chief Executive, and of the Chief Executive on the performance and remuneration of the other members of the Group Executive Committee. The Committee is also supported by the Group General Counsel & Company Secretary, and either she or her delegate acts as Secretary to the Committee; the Chief People Officer; the Group Head of Reward; and, as required, the Chief Financial Officer, the Group Head of Pensions and the Group Financial Controller.

Voting on the Policy at the 2022 AGM and the Directors' Remuneration Report at the 2023 AGM

2022 Policy



Directors' Remuneration Report 2022/23



Notes:

- The Directors' Remuneration Policy voting figures shown refer to votes cast at the 2022 AGM and represent 66.28% of the issued share capital. In addition, shareholders holding 42.6 million shares abstained.
- The Directors' Remuneration Report voting figures shown refer to votes cast at the 2023 AGM and represent 68.28% of the issued share capital. In addition, shareholders holding 5.2 million shares abstained.

Implementation of the Policy for 2024/25

The 2022 Policy, which was approved at the 2022 AGM, will be implemented during 2024/25 as outlined below:

◆ Salary and pensions

Salary increases for the Executive Directors will be slightly below those awarded to the UK wider workforce. Higher salary increases may be awarded for a change in responsibility. Additionally, in line with the Policy on recruitment remuneration, salaries for new Executive Directors may be set below market level initially and aligned to market level over time (provided the increase is merited by the individual's contribution and performance).

John Pettigrew and Andy Agg will both be awarded salary increases of 4.5%, effective from 1 July 2024.

	From 1 July 2024	From 1 July 2023	% increase
John Pettigrew	£1,187,300	£1,136,200	4.5 %
Andy Agg	£781,500	£747,800	4.5 %

The pension contribution rate for both Executive Directors is in line with that for the UK wider workforce and new joiners at 12%.

◆ 2024/25 APP

The 2024/25 APP measures will be split across financial measures, operational measures and individual objectives, weighted 70%, 15% and 15% respectively. The maximum APP award for both Executive Directors for 2024/25 is 125% of salary, in line with the Policy.

Measure	Weighting	
Financial measures	Underlying Group EPS ^A	35 %
	Group RoE ^A	35 %
Operational measures	Customer: Group customer satisfaction index	5 %
	Colleague: Group 'Delivering Results' index	5 %
	Colleague: Group 'Inclusion' index	5 %
Individual objectives		15 %

^A Denotes an 'alternative performance measure' as described on page 19

◆ Financial measures

For 2024/25, the Committee opted to retain Underlying Group EPS and Group RoE as financial measures. Group RoE continues to be a relevant and important measure of performance as a primarily regulated asset-based company and targets are set to ensure strong in-year returns and operational results. In respect of earnings measures, Underlying Group EPS remains the most appropriate measure under the APP from the perspective of the business, and the targets are set in a manner which considers specific challenges and opportunities in the year ahead and are flexed accordingly while remaining consistent with our longer-term performance goals.

Further to the announcement of the Rights Issue on or around 23 May, the Committee is conscious of the impact such an announcement will have on Company financials, including both Underlying Group EPS and Group RoE. Having consulted with a number of stakeholders, the Committee has made the decision to delay the target setting and calibration process until a time where it feels that it can sufficiently assess the impact of the Rights Issue, in order to allow targets to be set in a manner consistent with our typical approach.

Financial APP targets are considered commercially sensitive and consequently will be disclosed retrospectively in the 2024/25 Directors' Remuneration Report.

◆ Operational measures

For the 2024/25 APP, the operational measures are selected to incentivise behaviours aligned with key annual priorities and are linked directly to the Group's strategy as a responsible business and broader ESG goals. Similar to previous years, operational performance will be assessed against three key measures, weighted equally, with one measure focused on customer and two on colleagues.

The Group customer satisfaction index, which will continue to be assessed in line with the 2023/24 APP, is an equally weighted index of mainly externally measured, quantifiable customer satisfaction scores, covering each business unit. This measure reflects the importance to our strategy of delivering safe, reliable, resilient and affordable energy to customers, whilst ensuring the maintenance of operational excellence.

The colleague 'Delivering Results' index is a quantitative assessment of our annual Group-wide employee engagement survey of colleagues, whereby particular indicators used for the purposes of assessing performance, ensuring alignment with our key delivery programmes.

The colleague 'Inclusion' index measure has been updated for 2024/25, and will comprise indicators from our annual employee engagement survey, similarly to the 'Delivering Results' index above, with a focus on inclusion and belonging. The purpose of incorporating this index is to provide greater alignment with our ambition to create an inclusive environment where individuals feel valued for who they are and what they contribute.

Operational measures will be assessed against quantitative targets for threshold, target and stretch performance and then reviewed on a qualitative basis to reflect a balanced assessment of performance, and will be made in reference to a four-point scale (below threshold, between threshold and target, on or above target and stretch and above), similar to that used to assess performance under the 2024 LTPP net zero transition measures.

◆ Individual objectives

The Committee has approved individual objectives for the Executive Directors in line with key strategic and operational priorities for the year ahead. John Pettigrew's individual objectives for 2024/25 are focused on: (1) continuing the journey to a Network Plus company; (2) elevating the regulatory and public affairs profile of National Grid; (3) addressing the challenges of true transformation; and (4) investing in talent and leadership. Andy Agg's individual objectives are focused on: (1) ensuring the financing strategy is well understood with strong investor support; (2) delivering key regulatory outcomes in line with expectations and with positive investor reaction; (3) delivering progression in organisational capabilities including meeting efficiency and capital growth and cost targets; and (4) improving leadership capabilities with a strong diverse talent pipeline.

◆ 2024 LTPP

The 2024 LTPP performance measures and weightings for all Executive Directors comprise two equally weighted financial measures totalling 80% and two equally weighted net zero transition measures totalling 20% as outlined in the table below. The maximum 2024 LTPP award is 350% and 300% of salary for John Pettigrew and Andy Agg respectively, in line with the Policy.

LTPP performance is measured over the entire three-year performance period, which for the 2024 LTPP is 1 April 2024 – 31 March 2027.

	Measure	Weighting
Financial measures	Cumulative 3 year Underlying Group EPS ^A	40 %
	Group RoE ^A	40 %
Net zero transition measures	Reduction of Scope 1 emissions	10 %
	Enablement of net zero transition: Strategic initiatives	10 %

^A Denotes an 'alternative performance measure' as described on page 18.

Notes: Vesting between threshold and maximum will be on a straight-line basis. Cumulative three-year Underlying EPS consists of the total of the Underlying EPS results for each of the three years in the performance period: 2024/25, 2025/26 and 2026/27.

◆ Financial measures

Financial measures under the 2024 LTPP are selected to provide alignment with the key drivers of the Group's long-term strategy and value creation for shareholders. Earnings growth and sustainable investment returns remain key measures of long-term value creation in light of the Group's regulated and long-term nature.

The Committee is conscious that financial performance measures under our short-term (APP) and long-term (LTPP) performance plans are similar, however we are of the belief that these measures are the appropriate and correct measures to deliver both short and long-term business strategy as well as long-term efficient asset growth and shareholder value.

Directors' Remuneration Report continued

Summary of Policy table and approach taken for 2023/24 with intended approach for 2024/25 continued

Consequently, the 2024 LTPP financial measures are designed in a manner which incentivises alternative elements of performance over the long term as compared with the short term. Specifically in LTPP, Group RoE is averaged across the three-year performance period to incentivise sustainable returns for shareholders in the longer term. Similarly, the cumulative three-year Underlying Group EPS measure assesses Underlying EPS for the three years in the LTPP performance period.

Further to the announcement of the Rights Issue on or around 23 May, the Committee is conscious of the impact such an announcement will have on Group financials, including both Cumulative three-year Underlying Group EPS and Group RoE.

As noted in the 2024/25 APP section, the Committee has made the decision to delay the target setting and calibration process until a time where it feels that it can sufficiently assess the impact of the Rights Issue, in order to allow targets to be set in a manner consistent with our typical approach.

◆ Net zero measures

Measures linked to the net zero transition continue to set out key targets and outcomes on the Group's journey to achieve: (1) reductions in the Company's direct Scope 1 emissions and (2) enable the broader net zero energy transition.

Similar to last year, the reduction of Scope 1 emissions measure supports meeting our 2030 group emissions reduction targets. These targets are SBTi validated and aligned to a 1.5°C pathway. The second measure reflects National Grid's role in enabling the transition to net zero by 2050. This measure will continue to assess delivery against key net zero strategic priorities and quantified outcomes that underpin the Group's strategic priority to enable the energy transition through our networks. Assessment of this measure will continue to be based on a four-point scale (below threshold, between threshold and target, on or above target and stretch and above) based on delivery of quantifiable and qualitative outcomes to reflect a balanced assessment of performance.

2024 LTPP targets will be disclosed in the 2024/25 Directors' Remuneration Report.

Fees for Non-executive Directors

Non-executive Director fees were reviewed in May 2024 and will be effective from 1 July 2024 in line with the annual salary review cycle for our wider workforce.

	From 1 July 2024 (£'000)	From 1 July 2023 (£'000)	% increase vs 2023
Chair	731.5	700.0	4.5 %
Senior Independent Director	32.6	31.2	4.5 %
Board fee	86.9	83.2	4.5 %
Chair Audit & Risk Committee	36.6	35.0	4.5 %
Chair Remuneration Committee	32.6	31.2	4.5 %
Chair other Committees (Finance, Safety & Sustainability)	27.2	26.0	4.5 %
Audit & Risk Committee member	25.0	23.9	4.5 %
Remuneration Committee member	19.5	18.7	4.5 %
Other Committee member (Finance, Safety & Sustainability, People & Governance)	16.3	15.6	4.5 %

Note: For the People & Governance Committee, no fees are paid for the Committee Chair, the Senior Independent Director or the Board Chair.

The Directors' Remuneration Report has been approved by the Board and signed on its behalf by:



Martha Wyrsh
Committee Chair
22 May 2024