

Date: 29 June 2016

Dear Member

Last November, National Grid ('the Company') announced its intention to sell a majority stake in its Gas Distribution business. Since then your Trustee Board and the Company have been working very hard to ensure that the National Grid UK Pension Scheme ('the Scheme') remains just as safe, secure and well supported. The Trustees and Company are pleased to confirm that we have successfully reached this outcome.

Please rest assured that there will be no change to the pension benefits that you have built up to date as a result of the changes to the Scheme outlined below. The Company is also not proposing any changes to future benefits. **You do not need to take any action in relation to this letter.**

What's changing and why?

The Trustees have worked closely with our professional advisers and understand the Company's need for there to be a clear allocation of pension responsibilities between the different parts of National Grid's business which support the Scheme, given the planned sale of the Gas Distribution business. With that in mind, we have agreed to create three separate and independent sections within the Scheme. This will protect your benefits whilst facilitating the planned sale of a majority stake in the Gas Distribution business.

Each section will be ring-fenced from the others, with completely separate assets and liabilities. This will provide a clear set of assets, financial support and security arrangements, which will include access to additional security such as cash and assets, for each section, ensuring continued security for all our members following the planned sale.

The Scheme as a whole and its three sections will continue to be managed by your experienced Trustee Board and your pension benefits will continue to be administered by the same team, UK Pensions Operations.

When is this happening?

We expect to be able to confirm which section you are being allocated to towards the end of the year. The timings are subject to change, but we will keep you informed through regular updates.

Please be reassured that no matter which section you are allocated to, your benefits remain just as safe, secure and well supported.

Future benefits

The Company is not proposing any change to future benefits as a result of this change and remains committed to its current pension arrangements. This is a summary of the assurances that were provided earlier this year with regard to the proposed sale:

- National Grid expects a purchaser to maintain the provision of current pension benefits for all of its employees
- Any transferring members will have continuous service and benefits already built up will not change

Our promise to you

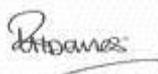
- Your Trustee Board and the Company are confident that the agreed solution is a **good outcome** for all members.
- You have our assurance that you should see no noticeable changes. All the same terms apply to the benefits that you've built up to date and these will still be administered by UK Pensions Operations.
- We will continue to **communicate fully** with you as these changes progress. The Company will share information via various internal communications channels. Your Trustee board has also created a new page on the Scheme's website which will be updated regularly. Please use the following link to access this page:
www.nationalgridpensions.com/542/scheme-updates

In the meantime, we appreciate that you may have questions so we have enclosed some Q&As. If you have any that are not covered in these documents or on the Scheme's website, please call 0118 936 8922 or email GDpensions@nationalgrid.com.

Sincerely



Nigel Stapleton
Chairman
National Grid UK Pension Scheme Trustee Board



Eddie Davies
Interim Global Head of Pensions
National Grid

