

# National Grid's Investment Proposition

As one of the **world's largest public utilities** focused on the **transmission and distribution of electricity and gas**, we play a vital role in connecting people to energy they use, and are positioned to be at the **heart of the energy transition**.

FY22 Investor Relations

## 5-year outlook FY22-26

### Capital investment



**c.£8bn**

UK Electricity Transmission

**c.£5bn**

UK Electricity Distribution

**c.£17bn**

US Regulated

**c.£2-3bn**

NG Ventures

c.£24bn of which is Green Capex<sup>1</sup>, aligning to EU taxonomy

### Group asset growth

**6-8% CAGR<sup>2</sup>**

### EPS growth

**5-7% CAGR<sup>2</sup>**

### Gearing

Settles slightly above 70%  
Credit metrics consistent with current strong investment grade credit rating

### Dividend

Aim to grow dividend per share in line with average UK CPIH

1. Capital expenditure considered to be aligned with the principles of the EU Taxonomy Legislation at the date of reporting, and includes most electricity investment, including connecting clean sources of generation such as renewables and nuclear, as well as investment which reduces emissions in our gas networks.

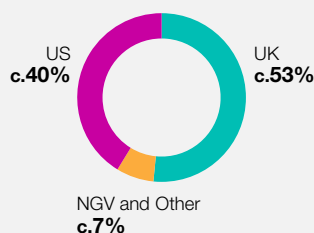
2. Compound annual growth rate FY2022-26. Based upon GBP/USD FX rate of 1.3; long run CPIH and RPI inflation assumptions, and scrip uptake of 25%, as well as completion of sale of Rhode Island business and 60% majority interest in UK Gas Transmission and Metering

3. Calculated as proportion of actual FY22 asset base post completion of acquisition of Western Power Distribution, and sale of Rhode Island business and majority stake in UK Gas Transmission and Metering

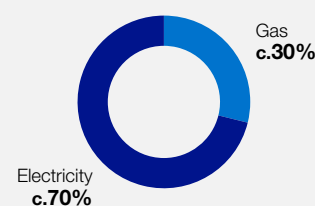
## Geographic and regulatory diversity

### Asset base post strategic repositioning<sup>3</sup>

#### Geographical Split



#### Energy Split



## Highlights

### Group financial summary full year ended 31 March 2022

Underlying results

#### Operating profit

**£3,992m** **↑11%**

FY21: **£3,608m**

#### Underlying EPS

**65.3p** **↑10%**

FY21: **59.1p**

#### Dividend growth

**50.97p** **↑3.7%**

FY21: **49.16p**

#### Capital investment

**£6,739m** **↑18%**

FY21: **£5,697m**

Prior year numbers reported as proforma

Pro forma underlying 2020/21 figures include adjustments for an estimate of the underlying post-tax contribution from WPD for an equivalent 9.5 month period, as if we had owned that business in the prior year, including estimated incremental finance costs to acquire WPD. In addition, the current year beneficial earnings impact of not depreciating our Rhode Island business has also been applied in these comparative amounts. Underlying results from continuing operations excluding exceptional items, remeasurements, major storm costs (when greater than \$100m), timing and the contribution from UK gas transmission and metering, which are classified as discontinued businesses for accounting purposes. Capital investment includes investment in JVs and NG Partners Investments (excluding equity contributions to St William property JV in FY21).

### • Strategic pivot towards higher growth electricity

Acquisition of WPD complete. Sale of Rhode Island complete. Majority stake sale in UK Gas Transmission and Metering on track

### • Regulatory certainty and progress

Rate cases and agreements across our jurisdictions providing inflation-protected growth opportunities

### • New efficiency program

Successful first year; delivered around £140m of enduring savings, against our 3 year £400m plan

### • Ambitious 5 year financial framework

Strong first year of delivery and remains on track

# Financial performance

## Underlying Segmental Summary – FY22

### UK Electricity Transmission

Operating profit

**£1,152m** ↑10%

FY21: £1,052m

### UK Electricity Distribution

Operating profit

**£887m** ↑4%

FY21: £853m

### UK Gas Transmission

Operating profit

**£734m** ↑23%

FY21: £595m

Now reported as discontinued operation

### New York

Operating profit

**£706m** ↓2%

FY21: £722m

### New England

Operating profit

**£886m** ↑12%

FY21: £794m

### NGV and Other

Operating profit

**£307m**

FY21: £117m

### JVs post tax share

**£148m**

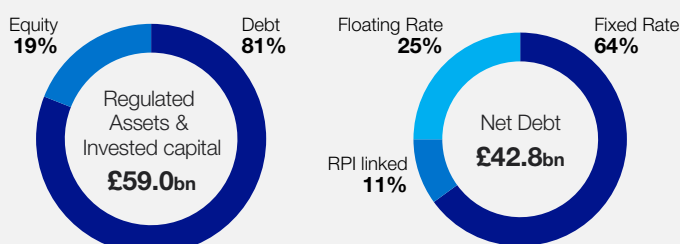
FY21: £66m

**Note:** 'Underlying' represents statutory results from continuing operations, but excluding exceptional items, remeasurements, major storm costs (when greater than \$100m) and timing. Pro forma underlying (continuing) 2020/21 figures are provided to help compare performance between reporting periods and include adjustments for an estimate of the underlying post-tax contribution from WPD for an equivalent 9.5 month period, as if we had owned that business in the prior year, including estimated incremental finance costs to acquire WPD. In addition, the current year beneficial earnings impact of not depreciating our Rhode Island business has also been applied in these comparative amounts.

## Balance Sheet

### Gearing and debt profile

as of 31 March 2022:



**Note:** Net debt includes 100% of hybrid debt, borrowings, associated derivatives and cash and current financial investments. excludes amounts for net debt in NECO and in NG Gas plc both reclassified to 'held for sale'. Interest rate profile and currency profile are post derivatives

### Currency profile

47% US dollar 53% £ sterling

	21/22	Rating Thresholds
<b>Moody's RCF / Adjusted Debt</b>	<b>8.9%</b>	<b>&gt;7.0%</b>
<b>Moody's FFO Interest Cover</b>	<b>4.7x</b>	<b>&gt;4.5x</b>

As expected, gearing was not in line with our long-run projections as we have not yet received the agreed proceeds for the sales of NECO and the 60% stake in our UK Gas Transmission & Metering business. Once the strategic pivot is complete, we expect gearing to settle at slightly above 70%.

## Regulatory Overview

### UK:

#### Electricity Transmission

Targeting 100 basis points of operational outperformance on average p.a. across RIIO-T2

Expected c.£2.5bn spend above allowance to be recovered through uncertainty mechanisms

#### RIIO-T2 (2021-26)

Allowed return on equity	<b>4.25%</b>
Gearing	<b>55%</b>
Core baseline TOTEX (18/19 prices)	<b>£5.4bn</b>
Sharing Factor (TOTEX)	<b>33%</b>

### UK:

#### Electricity Distribution

WPD submitted final business plans to Ofgem Dec 2021

Final determination: Dec 2022

#### Proposed Business Plan: RIIO-ED2 (2023-28)

Allowed return on equity	<b>4.96%</b>
Gearing	<b>60%</b>
Core baseline TOTEX (21/22 prices)	<b>£6.7bn</b>
Sharing Factor (TOTEX)	<b>50%</b>

### US: New York

Rate agreements for KEDNY-KEDLI and NIMO approved in 2021 and 2022 respectively

#### KEDNY/ KEDLI (2020-23\*)

Allowed return on equity	<b>8.8%</b>
Equity to Debt	<b>48:52</b>
CAPEX	<b>c.\$3.3bn</b>

#### NIMO Gas & Electric (2021-24)

Allowed return on equity	<b>9.0%</b>
Equity to Debt	<b>48:52</b>
CAPEX	<b>c.\$3.3bn</b>

### US: New England

Rate agreements for Massachusetts Gas and Electric include a Performance Based Rate Mechanism

#### Mass Gas (2021-26)

Allowed return on equity	<b>9.7%</b>
Equity to Debt	<b>53:47</b>
CAPEX (20/21 prices)	<b>c.\$1.3bn</b>

#### Mass Electric (2019-24)

Allowed return on equity	<b>9.6%</b>
Equity to Debt	<b>53:47</b>
CAPEX (19/20 prices)	<b>c.\$1.5bn</b>

\*backdated to 2020

# The Energy Transition Company

As one of the world's largest publicly listed utilities, we are facing some of the biggest energy challenges in history and have an important role to play in delivering the clean energy transition. To help us overcome these challenges and facilitate a positive energy transition we are driving industry-leading innovation.

## 01 Deliver for our customers efficiently

Delivering against our responsible business commitments, **we are working to ensure a fair energy future where nobody is left behind.**

We are providing financial and practical assistance to our customers and communities:

- We have implemented more than **\$1.3bn** in energy efficiency measures in Massachusetts over last 3 years
- In the UK we are returning **£200m** from our interconnector business to customers early
- **£400m cost efficiency programme over 3 years** continues to benefit consumers today and long into the future

## CASE STUDY

### VENICE

Within our UK Electricity Distribution business, we have launched a Vulnerability and Energy Networks, Identification and Consumption Evaluation (VENICE) project to help develop ways to predict consumer vulnerability. Ensuring we can target investment to communities that need it most.

VENICE represents the largest Network Innovation Allowance (NIA) funded project and highlights our desire to ensure a fair energy future and will enable the most vulnerable consumers to participate in the decarbonisation of the energy system.

## 02 Enabling the energy transition for all

We've set out medium and long-term targets to reduce our own Scope 1 & 2 emissions:

**by 80%\*** by 2030  
**by 90%\*** by 2040  
**to Net Zero** by 2050

from a 1990 baseline.

**We've reduced our Scope 1 & 2 emissions by almost 70% to date** through investment, technology development and re-purposing our energy market focus.

Over the next 5 years we're committed to investing:

**£24bn** of green capex<sup>2</sup> in decarbonisation of energy systems.

Our strategy is further underpinned by:

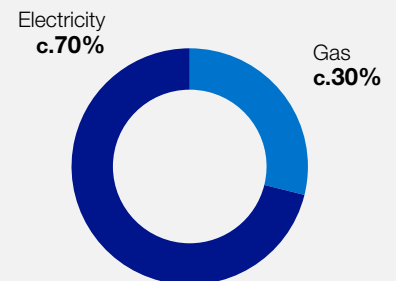
- British Energy Security Strategy
- UK Energy Bill
- US Infrastructure Investment and Jobs Act

## 03 Grow our organisational capability

Following our business re-structuring activity, with a stronger focus on electricity in the UK, we believe our investment will be at the heart of the energy transition, and provides greater certainty of medium-term growth.

### National Grid asset base

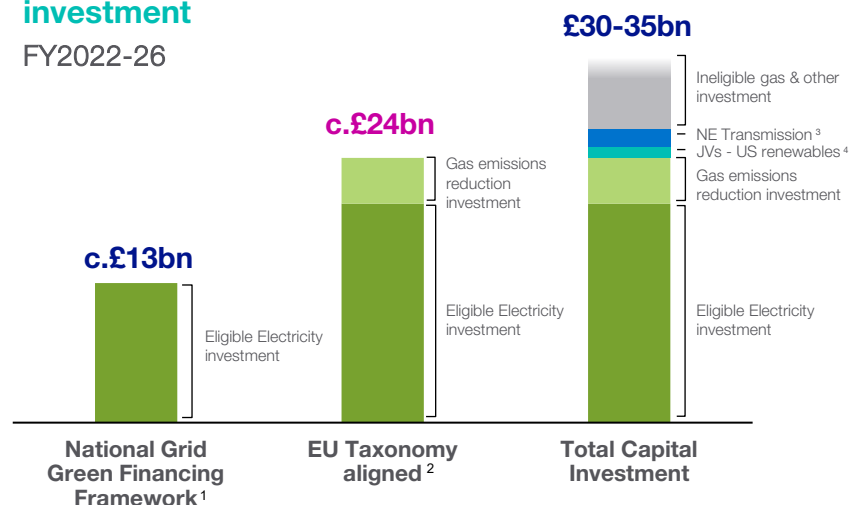
Post-transactions<sup>^</sup>



<sup>^</sup> Calculated as proportion of actual FY22 asset base post completion of acquisition of Western Power Distribution, and sale of Rhode Island business and majority stake in UK Gas Transmission and Metering

## Capital investment

FY2022-26



1. Capital expenditure that meets the criteria in National Grid's Green Financing Framework. This framework is used to issue Green Financing Instruments and further detail on the framework can be found here: <https://www.nationalgrid.com/investors/debt-investors/green-financing>

2. Capital expenditure considered to be aligned with the principles of the EU Taxonomy Legislation at the date of reporting and includes most electricity investment, including connecting clean sources of generation such as renewables and nuclear, as well as investment which reduces emissions in our gas networks.

3. Estimated investment in New England transmission excluded as it does not meet the EU Taxonomy criterion of over 67% of newly enabled generation capacity being below the 100 gCO<sub>2</sub>e/kWh threshold over a rolling five year period, on the basis that there have been no new connections to the New England transmission network within the past five years.

4. Estimated investment in US onshore and offshore renewables joint ventures. EU Taxonomy excludes investment in joint ventures

# ESG and Responsible Business Charter

Our Responsible Business Charter is our articulation of what 'responsibility' means for us. We have identified where we can have the most impact on society: the environment, the communities we serve, our people, the economy, and our governance.

Environment	Communities	People	Economy	Governance
<ul style="list-style-type: none"> <li>COP26 principal partner and new Scope 3 SBTi aligned targets set for the Group</li> <li>Clean Energy Strategy for our US networks launched</li> <li>First year of IFA2 and North Sea Link interconnectors, saving more than 2 million tonnes of CO<sub>2</sub> per annum</li> </ul>	<ul style="list-style-type: none"> <li>Reliability of over 99.9% across our networks</li> <li>In New York, we launched our Project C for community programme</li> <li>Our Fair Transition Statement sets out how we are engaging on the challenges the transition presents to communities</li> </ul>	<ul style="list-style-type: none"> <li>Ranked 1<sup>st</sup> in the UK and 3<sup>rd</sup> globally in the Equileap gender equality report of over 4000 companies</li> <li>97% completion rate on unconscious bias training</li> <li>Diversity, equality and inclusion remains top of our priorities</li> </ul>	<ul style="list-style-type: none"> <li>Around £24 billion of investment in our five-year financial framework aligned to new EU Taxonomy for sustainable activities</li> <li>Investments supporting world-class network reliability, security of supply and the energy transition</li> </ul>	<ul style="list-style-type: none"> <li>Publishing our first Climate Transition Plan as part of this year's Responsible Business Report (RBR)</li> <li>Our ongoing work with regulators and politicians is helping define clean energy roadmaps to 2050</li> </ul>

## Our 'Grid Guide to' ESG Investor Series

A National Grid investor series containing a selection of podcasts and virtual sessions on relevant Environmental, Social and Governance topics and themes. Please make sure to browse our latest content within the series by visiting our new dedicated Environmental, Social and Governance webpage: [www.nationalgrid.com/investors/environmental-social-and-governance](http://www.nationalgrid.com/investors/environmental-social-and-governance)



### Grid Guide to... National Grid's Sustainable Supply Chain

March 2022: Chief Procurement Officer, Vivienne Bracken and our Procurement leaders discuss how National Grid are driving a sustainable supply chain and it's importance in the context of our responsible business commitments.

[Listen to the podcast](#)



Grid Guide to our Sustainable Supply Chain

Factsheet

#### Grid Guide to...National Grid's Sustainable Supply Chain

March 2022: Read the factsheet



#### Grid Guide to...the Future of Heat in Downstate New York

Oct 2021: Listen to the podcast



Grid Guide to the Future of Heat in Downstate New York

Factsheet

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Oct 2021: Read the factsheet

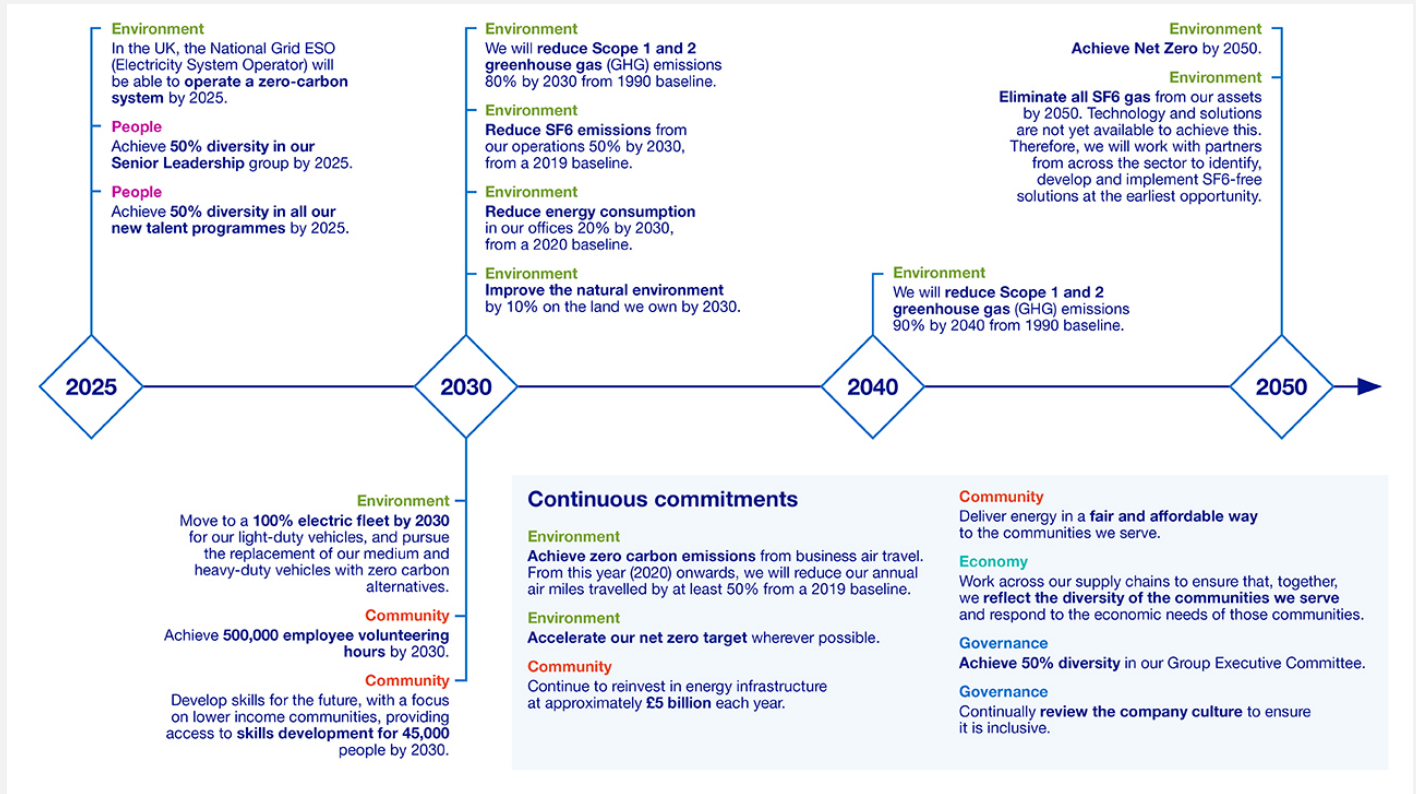


#### Grid Guide to...the Decarbonisation of Transport

July 2021: Watch the webcast



# Timeline of our Commitments



## Awards and Recognition

To be held account against our environmental, societal and governance business commitments, National Grid is proud to share reporting data and have its sustainable efforts analysed.

**WDI** Workforce Disclosure Initiative

**Bloomberg** Gender-Equality Index 2022

**S&P Global** Ratings

**MSCI** ESG RATINGS AAA

**CDP**

**FTSE4Good**

**SUSTAINALYTICS** a Morningstar company **RATED**

**Corporate ESG Performance** RATED BY **ISS ESG** Prime

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## Further information

### **Nick Ashworth**

Director of Investor Relations  
M +44 (0) 7814 355 590  
[nicholas.ashworth@nationalgrid.com](mailto:nicholas.ashworth@nationalgrid.com)

### **Angela Broad**

Senior Investor Relations Officer  
M +44 (0) 7825 351 918  
[angela.broad@nationalgrid.com](mailto:angela.broad@nationalgrid.com)

### **James Flanagan**

Investor Relations Manager (US)  
M +44 (0) 7970 778 952  
[james.flanagan2@nationalgrid.com](mailto:james.flanagan2@nationalgrid.com)

### **Jon Clay**

Head of UK Investor Relations  
M +44 (0) 7899 928 247  
[jonathan.clay@nationalgrid.com](mailto:jonathan.clay@nationalgrid.com)

### **Caroline Dawson**

Investor Relations Manager  
M +44 (0) 7789 273 241  
[caroline.dawson@nationalgrid.com](mailto:caroline.dawson@nationalgrid.com)

### **Alexandra Bateman**

Investor Relations Manager  
M +44 (0) 7970 479 571  
[Alexandra.bateman@nationalgrid.com](mailto:Alexandra.bateman@nationalgrid.com)

@Grid\_Media



[nationalgrid.com/investors](https://nationalgrid.com/investors)

National Grid plc  
1-3 Strand  
London WC2N 5EH  
United Kingdom

**nationalgrid**