

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**.

HY23 Investor Relations

Upgraded 5-year outlook FY22-26

Capital investment



c.£9bn UK Electricity Transmission	
c.£6bn UK Electricity Distribution	
c.£12bn New York Regulated	c.£9bn New England Regulated
c.£3-4bn NG Ventures	

c.£29bn
of which is **Green Capex¹**,
aligned to EU taxonomy

Group asset growth **8-10% CAGR²**

Underlying EPS **6-8% CAGR²**

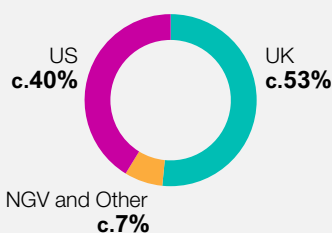
Credit metrics Credit metrics within current rating thresholds
Net debt to RAV c.70% once transactions complete

Dividend Aim to grow dividend per share in line with CPIH

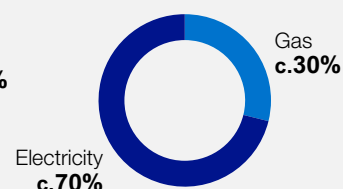
Geographic and regulatory diversity

Asset base post strategic repositioning³

Geographical split



Energy split



1. Aligned to EU Taxonomy, directly invested into the decarbonisation of energy networks.
2. Compound annual growth rate FY2022-26. Forward years based on assumed USD FX rate of 1.2; long run CPIH and RPI inflation assumptions based on October forward curves, and scrip uptake of 25%. Reflects sale of Rhode Island and assumes the completion of sale of 60% stake in UK Gas Transmission & Metering (UK GT&M) at end of 2022. Assumes 40% equity interest of UK GT&M included in continuing operations from start of 2023.
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.

Highlights

Group financial summary half year ended 30 September 2022

Underlying results

Operating profit⁴
£2,117m **↑44%**
FY22: **£1,470m**

Underlying EPS⁴
32.4p **↑42%**
FY22: **22.8p**

Dividend growth
17.84p **↑3.7%**
FY22: **17.21p**

Capital investment
£3,883m **↑26%**
FY22: **£3,092m**

4. Underlying results from continuing operations excluding exceptional items, remeasurements, timing and the contribution from UK Gas Transmission and Metering, which is classified as a discontinued operation for accounting purposes. Capital investment includes investment in JVs and NG Partners Investments (excluding equity contributions to St William property JV). Operating profit and capital investment calculated at constant currency.

- **Significant capital investment in energy infrastructure** driven by a full six-month contribution from UK Electricity Distribution; higher investment in the US; continued investment in our interconnector programme and our Isle of Grain expansion project.
- **Strategic pivot towards higher growth electricity**
WPD rebranded as National Grid UK Electricity Distribution. Rhode Island sale completed in May 2022, and on track to complete sale of majority stake in UK Gas Transmission and Metering by the end of the calendar year 2022.
- **Clean Energy Vision** launched to deliver the energy transition across our US businesses.

Financial performance

Underlying Segmental Summary – HY23

UK Electricity Transmission

Operating profit

£564m ↑2%

HY22: £552m

UK Electricity Distribution

Operating profit

£579m ↑125%

HY22: £257m

Increase is due to acquisition timing
Includes a full six months contribution

UK Gas Transmission

Operating profit

£381m ↑15%

HY22: £332m

Now reported as discontinued operation

New York

Operating profit

£202m ↑25%

HY22: £162m

New England

Operating profit

£316m ↑11%

HY22: £284m

NGV and Other

Operating profit

£404m

HY22: £166m

JVs post tax share

£70m

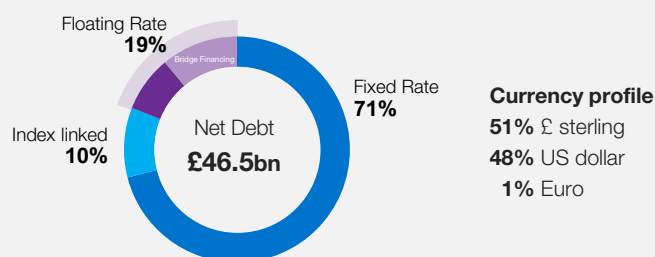
HY22: £61m

Note: Underlying results from continuing operations excluding exceptional items, remeasurements and timing. Operating profit presented at constant currency.

Balance Sheet

Gearing and debt profile

as of 30 September 2022:



Note: Net debt includes 100% of hybrid debt, borrowings, associated derivatives and cash and current financial investments. excludes amounts for net debt in NG Gas plc which is reclassified to 'held for sale'. Interest rate profile and currency profile are post derivatives. Currency profile reflects ultimate liability, not currency of issue.

Regulatory Overview

UK:

Electricity Transmission

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

Expected c.£3bn¹ capex to be recovered through uncertainty mechanisms

RIIO-T2 (2021-26)

Allowed return on equity	4.26% ²
Gearing	55%
Core baseline TOTEX (18/19 prices)	£5.4bn
Sharing Factor (TOTEX)	33%

UK:

Electricity Distribution

WPD submitted final business plans to Ofgem December 2021

Final determination:
Expected December 2022

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

Allowed return on equity	4.96%
Gearing	60%
Core baseline TOTEX (20/21 prices)	£6.7bn
Sharing Factor (TOTEX)	50%

US: New York

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

KEDNY/ KEDLI (2020-23*)

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

NIMO Gas & Electric Joint Proposal (2021-24)

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

US: New England

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

Mass Gas (2021-26)

Allowed return on equity	9.7%
Equity to Debt	53:47
CAPEX	c.\$1.3bn

Mass Electric (2019-24)

Allowed return on equity	9.6%
Equity to Debt	53:47
CAPEX	c.\$1.5bn

*backdated to 2020

1. Nominal figure

2. Allowed ROE FY23 which is updated each year with changes to the risk-free rate

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. It 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.¹

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

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

£29bn of green capex² in decarbonisation of energy systems.

Our strategy is further underpinned by:

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

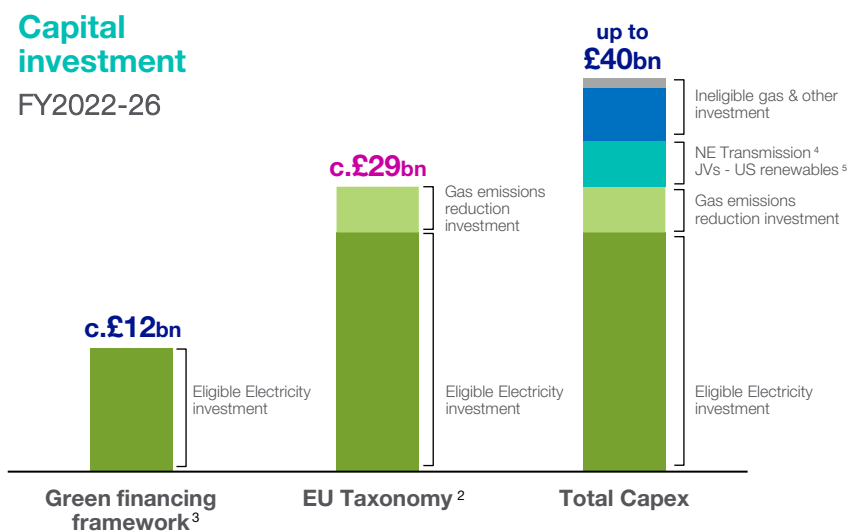
03 Grow our organisational capability

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.

04 Empower our people for great performance

We are building diverse and inclusive teams that reflect the communities we serve, attracting the best talent and recognising great achievements.

We're helping create thousands of green jobs alongside development opportunities for young and underrepresented people, developing the right skills now and in the future to accelerate the energy transition.



1. Our baseline is the aggregate amount of all Scope 1 and 2 greenhouse gas emissions for our business in the relevant base year.
 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. 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>.
 4. 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 gCO₂e/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.
 5. 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">• COP26 principal partner and new Scope 3 SBTi aligned targets set for the Group• Clean Energy Vision for our US networks launched• First year of IFA2 and North Sea Link interconnectors, saving more than 2 million tonnes of CO₂ per annum	<ul style="list-style-type: none">• Reliability of over 99.9% across our networks• £65m energy fund for families most in need of support across our US and UK businesses.• Our Fair Transition Statement sets out how we are engaging on the challenges the transition presents to communities	<ul style="list-style-type: none">• Ranked 1st in the UK and 3rd globally in the Equileap gender equality report of over 4000 companies• 97% completion rate on unconscious bias training• Diversity, equality and inclusion remains top of our priorities	<ul style="list-style-type: none">• Around £29 billion of investment in our five-year financial framework aligned to new EU Taxonomy for sustainable activities• Investments supporting world-class network reliability, security of supply and the energy transition	<ul style="list-style-type: none">• Publishing our first Climate Transition Plan as part of this year's Responsible Business Report (RBR)• Our ongoing work with regulators and politicians is helping define clean energy roadmaps to 2050

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. You can browse our latest content by visiting our dedicated Environmental, Social and Governance webpage: www.nationalgrid.com/investors/environmental-social-and-governance



Grid Guide to... Our communities: Grid4Good and Project C

September 2022: Chief Sustainability Officer, Rhian Kelly discusses the work we are doing in our communities, and how we are working towards our responsible business commitments.

[Read the factsheet](#)

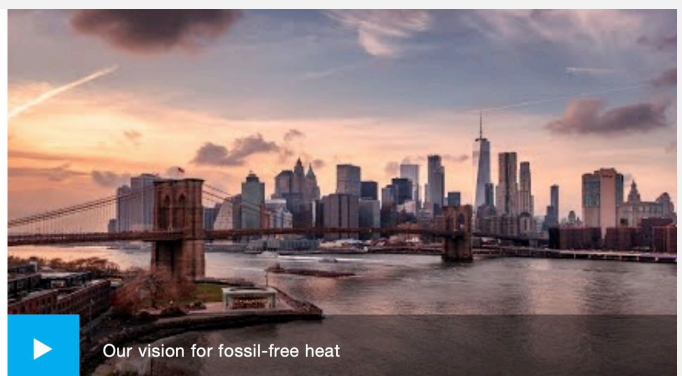
Our Clean Energy Vision

National Grid's vision is to fully eliminate fossil fuels from our US gas and electric systems, enabling the customers and communities we serve to meet their heating needs without using fossil fuels by 2050, if not sooner. Please visit: www.nationalgrid.com/us/fossilfree

Video: Our vision for fossil-free heat

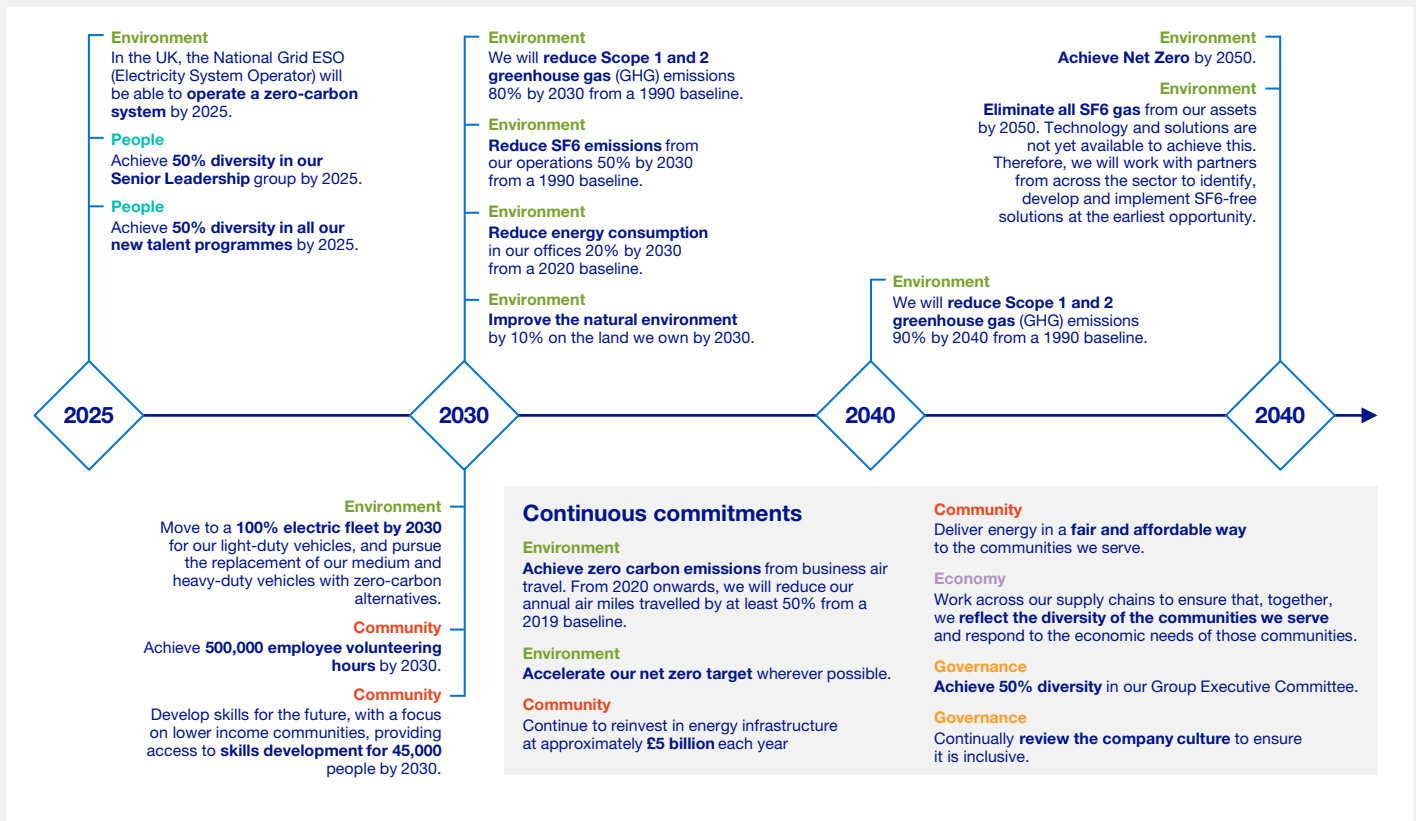
Our vision for fossil-free heat addresses climate change while ensuring affordable, reliable service to all our customers. Watch this video to learn more about how we plan to make our vision of a clean energy future a reality.

[Watch the video](#)



[Our vision for fossil-free heat](#)

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.

S&P Global Ratings
83/100 S&P ESG evaluation score

Bloomberg Gender-Equality Index 2022
Became a constituent of the 2022 Bloomberg Gender-Equality Index

CDP
Achieved an 'A' grading (the highest) for our response to the Climate Disclosure Project for the sixth consecutive year.

SUSTAINALYTICS*
a Morningstar company
RATED
Was assessed by Sustainalytics to be at **Low Risk** of experiencing material financial impacts from ESG factors.

MSCI ESG RATINGS
AAA^A
Maintained 'AAA' ESG rating for the fifth consecutive year.

FTSE4Good
Remained a constituent of the FTSE4Good Index

Corporate ESG Performance
RATED BY **ISS ESG**
Prime
Was assessed by ISS oekom as a leader in our industry group.

National Grid
Top 10 Globally for gender equality in 2022
EQUILEAP

Equileap
Ranked 1st in the UK and 3rd globally for gender equality by Equileap

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