nationalgrid

A responsible business

ESG Virtual Seminar – Transcript of Q&A sessions
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National Grid participants:

Nick Ashworth, Director of Investor Relations

John Pettigrew, Chief Executive Officer

Badar Khan, President, National Grid US

Nicola Shaw, Executive Director, UK

Jon Butterworth, Managing Director, National Grid Ventures

Questions via webcast

Chris Laybutt, JP Morgan
Martin Young, Investec
Maurizio Carrulli, Schroders
Mark Freshney, Credit Suisse
Fraser McLaren, Bank of America
Deepa Venkateswaran, Bernstein
Dominic Nash, Barclays
Jenny Ping, Citi
Verity Mitchell, HSBC
Bartlomiej Kubicki, Societe Generale
Javier Garrido, JP Morgan

Environmental Q&A

Nick Ashworth, Director of Investor Relations
Thank you Jon. We'll now turn to questions, so as a reminder - please use the 'ask a question' tab at the bottom of your screen if you'd like to write in a question. And if you'd like it to be attributed to you please write that in the box. And if the question is for a particular speaker then please can you make that clear as well.

So we've got quite a few questions coming in, we'll do our best to get through them in this session. There's also a bit of a Q&A session at the end of the next section as well, so bear with us because we have a few to get through.

So John I think we're going to start with an overview question actually.

What are the most important commitments you feel you are making in the Responsible Business Charter?

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John Pettigrew, Chief Executive Officer
So thank you for the question Nick.

You would have seen in the Responsible Business Charter that we've set out five pillars. And within each of those pillars we've set out some really significant, I think, commitments and ambitions. But if I was to highlight a couple that I think are really, really important.

First of all our commitment to net zero by 2050, you would have seen that we made that commitment last year, but since then we've reinforced that commitment with an interim target of an 80% reduction by 2030 and 90% by 2040. And today we've added to that with a scope three target of a 20% reduction. And that's significant, and we've got really good plans in place to be able to deliver that by 2030.

The other area which I think is really important actually, in meeting the ambition that we have, but more broadly that society has around net zero, is ensuring that we deliver the STEM skills that we need. And you would have seen in our Responsible Charter today that we've set out a commitment to develop 45,000 young people across the US and the UK. And our aim really is to attract those people who wouldn't naturally be attracted to the energy sector and to give them the opportunities to develop the skills that we're going to need is we're going to deliver net zero.

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Nicholas Ashworth, Director of Investor Relations
Thank you John. Okay, so let's move on to Long Island Power, so we've had quite a few questions on this from a number of different people, so thanks to Mark Freshney, Chris Laybutt and Mauricio at Schroders as well. So I'm just going to ask one of them because they are all of a theme.

The Long Island generation, it's oil intensive and is a relatively large source of CO_2 emissions for the Group and it's raised some criticism from the community. So the contract you say comes to an end in 2027 we think, what are you going to do about this and how do you replace it with cleaner generation?

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John Pettigrew, Chief Executive Officer
So again, thank you for the question.

So yes the contract actually comes to an end in 2028, you will also be aware, for those that follow the market in New York that there is a commitment to actually have zero carbon generation in New York by 2040.

So National Grid currently owns about 4 gigawatts of the generation on Long Island. We actually operate it on behalf of the Long Island Power Authority, who choose when it runs and actually what fuel to use. So we are currently working with the Long Island Power Authority to really think about how we take the generation portfolio forward so that we can meet that New York commitment by 2040.

And as you heard from Jon Butterworth earlier on in his presentation we've already started to develop some renewable generation on Long Island, we're in partnership with NextEra, where we've just developed 10 megawatts of battery storage. And we will continue to take those types of developments forwards as we work with the Long Island Power Authority over the next few years.

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Nick Ashworth, Director of Investor Relations
Okay thank you very much. So actually I think we'll move to the UK next. So we've had a couple of questions on RIIO-T2 and how that could impact some of our commitments over the next few years. So I could use Fraser's question from Bank of America.

What extent are your internal ESG ambitions, particularly environmental, threatened by the recent T2 draft proposals?

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John Pettigrew, Chief Executive Officer
Okay well thank you for the question. Let me just talk about it at a high level and perhaps I'll hand over to Nicola to talk a little bit more around RIIO-T2.

With regards to the Responsible Business Charter that we published on Thursday and we've talked about today, what I'm really pleased about actually is both in the UK and in the US we have strong alignment from our regulators in terms of the environmental ambitions that we have, but actually across all the five pillars, there is absolutely alignment.

There is sometimes disagreement about the exact mechanisms by which we achieve that, but actually we're in a very strong place both in the states that we operate in the US and in the UK, around the commitments and ambitions we have specifically around the environment.

So with that I'll just hand over to Nicola to talk about RIIO-T2.

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Nicola Shaw, Executive Director, UK
Thanks John. So yes, one of the things we said in response to the draft determinations on RIIO-T2 that there was a risk that this could slow down our delivery of net zero. And I'm pleased to say, I think, that the engagement with Ofgem on this point has been very strong.

There are sort of three broad areas in which we need things to move forward so it can be very effective. The first is in that point about connections, to make sure we get paid - a fair rate for doing the work for connections.

The second is in relation to large scale projects, making sure that the process that we need to go through is streamlined and aligned with the planning process and that it's really clear who's going to build these projects so that we've got the right level of staffing.

And the final area I think is really on innovation and we've got some really great projects, particularly in hydrogen, but making sure that there is funding available for all of those projects to take forwards, so that we do make progress in this five years in relations to hydrogen, because I think that's a slightly longer burn, but really important to do things now.

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Nick Ashworth, Director of Investor Relations
Thank you Nicola, thank you John. Actually - so before we come onto hydrogen and RNG, there's been a few questions asked on that. Actually just a follow up I guess on T2 and what we heard last week. We've had a couple of questions around the CMA. So this one from Martin Young at Investec.

Do you agree that CMA provisional determinations in water are a clear message to Ofgem? And this is following the lines around the investment that's going to be required to deliver the Energy Transition and net zero ambitions?

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John Pettigrew, Chief Executive Officer
So thank you for that question.

As you can imagine we're spending a significant amount of time at the moment just working through the detail of the draft determination via the Competition and Markets Authority. So those who haven't been following it closely, this relates to the water sector but has some read across for the energy sector and our own price control.

In terms of working through it, I think I'm really pleased to see the tone of the CMA determination, which is still in draft, but the tone of it was, I think, very positive around the need for investment and the need that investors and key stakeholders have supported in terms of the right returns and the need for supporting the - some of the key pillars we talked about in our Responsible Business Charter today.

Looking at the detail, clearly there are some decisions in the draft determination which aligned very closely with the arguments that we've been making to Ofgem since we saw our draft determination back in the summer. And as you'd expect we will be using some of those arguments in our ongoing dialogue which remains, you know, very positive with Ofgem. But we will use some of those arguments as we move forwards into the final weeks of our discussions with Ofgem with the final determination due to the beginning of December.

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Nick Ashworth, Director of Investor Relations
Perfect, thank you John.

So then moving on to hydrogen, RNG and some of the stuff that we said about getting to net zero, we've had a couple of questions on that.

So firstly, from Deepa at Bernstein, she asks a question for Badar, what percentage of gas for heating can be met by RNG versus hydrogen to get to net zero?

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John Pettigrew, Chief Executive Officer
Okay, I'll hand that over to Badar, as Deepa was asking Badar directly. So.

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Badar Khan, President, National Grid US
Yeah, so I think the first thing to say is I think we believe that the gas business has an enduring role to play in the Energy Transition. And so in the short term that's about methane leak reduction that we've been progressing for many years and we've seen, I think as you see in the slides, a significant reduction in methane leaks, but also going forward into the future.

With respect to decarbonising heat we expect the conversion of a significant number of customers that use heating oil, converting them to gas, which is both affordable and a practical solution. But in the long term, I think, Deepa, you're right, we expect to see the gas business and the gas network being utilised for both RNG and hydrogen.

We do expect to see electrification of heat as well, but I think there are also some practical limitation.

With respect to what percent of heating is provided through RNG and hydrogen, I think it's too early to say. As you heard from the speech we're working on pilots and projects on both the RNG side and the hydrogen side that's testing the practical considerations, affordability considerations and blending considerations into the network. And I think once we've progressed through studies we'll be able to continue that dialogue.

And this is all a dialogue that we're having with our regulators, they are very support in the conversations that we're having around decarbonising heat in each of the states that we do business in.

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John Pettigrew, Chief Executive Officer
Thanks Babar, I mean the only thing I'd add to that Deepa is - as you heard in one of our speeches I think today we think it's likely there's going to be a mosaic of solutions. So when you look at things like biogas and the capacity, whether it's in the UK or the US, there probably isn't enough for a totally biogas solution. And therefore our view is, as we work through some of these pilot projects that we're developing is that we're going to end up with a mosaic and a mixture potentially of natural gas with offset hydrogen, biogas as well as electrification.

So it's one of the challenges we have at the moment is working out exactly what the road map looks like. And we need to spend the next couple of years, both National Grid and the industry more broadly just working out exactly what that road map will look like for decarbonisation of heat.

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Nick Ashworth, Director of Investor Relations
Thanks John. And actually there's a follow up from Deepa and it's to Nicola and Badar and you touched on this just now John actually. So she says, Nicola talks about heat pumps, hydrogen, RNG as solutions for UK heating, while Badar mentioned hydrogen, RNG for US heating. Is there a different in the role that heat pumps can play, is that intentional or can we have a little bit more information around that if possible please?

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John Pettigrew, Chief Executive Officer

Okay, so I don't think it's intentional, but I'm going to hand over to my colleagues who will give us their view. I think as we think about the road map for decarbonisation of heat we're at a point where we need to explore the technology, the price curve, as well as what from an engineering perspective is achievable.

Obviously we've got different geographies and also different climate as well and things like heat pumps have a different effectiveness and efficiency in the winter and in the Northeast of the US as you know we have really cold winters and therefore the effectiveness of heat pumps is perhaps less effective than in the UK.

So I think we're not trying to make any differentiation at this point, but let me just check and I'll hand over to Nicola and then perhaps Nicola can ask Badar.

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Nicola Shaw, Executive Director, UK
No John that's absolutely right, I'm not seeking to make a distinction. I think we should be using - we should be looking for all solutions to come together. As I said I think there's a significant change that's got to come to all parts of the heating system. But the RNG point, I think John has well made, which is there's a lot of competition for RNG, a lot of other sectors will be needing to use RNG as part of their decarbonisation pathway.

So one of the things we're trying to identify and work through is what works best for heating and how do we make that change effectively.

I guess by about 2023 we'll know what the UK Government wants to do for our heating pathway and that will be really helpful in identifying how to move forward. And all of the work that we're doing, all of the innovation projects that we have really lead up to that to help with that process.

Of course there is an opportunity for blending hydrogen in earlier than that and I think that might be an early start. Badar?

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Badar Khan, President, National Grid US
Thanks Nicola and John. I think John captured it quite well, there's likely to be a mosaic of solutions for decarbonising heat and we are pursuing all pathways. We just need to ensure that they are affordable and practical.

You've heard about the practical considerations around air source heat pumps in a very cold climate, geothermal, clearly also has some practical considerations in terms of the land mass that it needs in a dense urban environment. But we are pursuing electrification as well as pathways that involve, as you've heard already, RNG, biogas and hydrogen.

In Massachusetts as a for instance we've got a very successful energy efficiency programme that you've heard us talk about. And in recent years we've expanded the incentives in that energy efficiency programme to include beneficial electrification. In other words incentives for air source heat pumps. So that's just an example of one of the many things that we're doing in pursuing multiple pathways.

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Nick Ashworth, Director of Investor Relations
Thanks Badar. And actually just staying with the US and with gas. I've had a question in from Dominic Nash at Barclays and he asks, what's the current state of play with your gas strategy in New York following - or given

the governor and his desire to restrict gas imports and reduce emissions, could we have an update on that please?

Has COVID-19 changed supply/demand and do we think that could be permanent?

And what proportion of your medium and long term gas into New York could be renewable, and, or created locally?

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John Pettigrew, Chief Executive Officer
Okay, well if I take the first question then I'll hand over to Badar to take the second and third.

So in terms of where we are Dominic with regards to Downstate New York and the discussions we've been having with the Governor over the course of nearly a year now, I'm delighted to say that at the beginning of this year we published a report looking at the long term position for New York in terms of demand and supply, which was one of the requests that the Governor gave of us. And in that we set out the options that were available, both in terms of things like energy efficiency and demand management, as well as transmission pipeline.

Since then you will be aware that Williams, we were looking to build the transmission pipeline did not get permits to do so. And therefore we are now progressing the other alternative that we set out in that report, which is a mixture; it's a mixture of increased capacity in our LNG facilities in Downstate New York as well as increased use of energy efficiency and demand management. And we are progressing that and are actually in discussions as part of the KEDLI and KEDNY rate filings which are currently on going with the PSE.

Badar if you'd like to pick up the second and third?

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Badar Khan, President, National Grid US
Sure, I think the second question was around demand, so we clearly I think have seen some demand reduction as a result of COVID and I think it's too early to say quite honestly whether that demand reduction is a permanent reduction. Clearly is a - it's an impact this year and could continue beyond this year.

We've factored in a reduction in demand, as John said, in our long term supply and demand forecasts and we have a - an option that comprises the distributed infrastructure solutions that John talked about, together with energy efficiency and demand response to meet the growing gas demand - the demand for connections in Long Island.

With respect to renewable - you know I think we expect to see - I think as we've said, more energy efficiency on the gas side and demand response programmes to levels that we have not seen before and we're working with the regulator to ensure that those get funding, as well as funding for the distributed infrastructure solution.

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John Pettigrew, Chief Executive Officer
Thanks Badar.

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Nick Ashworth, Director of Investor Relations

Thank you Badar. So moving slightly actually to maybe Jon Butterworth, NGV. So I've had a question in from - actually it's a similar one actually from Mark Freshney, at Credit Suisse and from Jenny Ping at Citi.

So what are your latest thoughts on the potential for a subsea transmission network that offshore wind farms can plug into, rather than point to point connections as is currently the case. Could it act as an East Coast bootstrap similar to the West Coast one and can you talk a little bit around how competition would fit into all of that and what the various rule changes that would be required to allow this to happen?

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Jon Butterworth, Managing Director, National Grid Ventures
Great questions. I mean first of all I think the sort of point to point interconnects what is great as both the regulator, government, industry, network companies, generators - we're all aligned that we need to find a way for this to happen. So in terms of a direction of travel we've got massive support from Ofgem and from BEIS and from our colleagues on the other side of the North Sea who are running network companies there.

So we see that a point to point interconnector is sort of the first part of the journey, the pathfinder if you like, to create a grid in the North Sea, because we just need to prove the regulatory regime. So that we can see if it needs tweaking slightly we can get it right for the bigger longer term grid in the North Sea. Because if we can make it happen then the potential is just fantastic, because you could end up with just plug and play in the North Sea for generators. Far less landfalls - less than half the number of landfalls which is really helpful and you could see the North Sea becoming the green battery of Europe. And you know everybody is aligned behind it, which is the first time in my career I've seen every stakeholder wanting this to happen.

So first of all to answer the question, multipurpose interconnectors, we see them working and they'll be the pathfinder projects and the first early cables that become the fabric and the network of a grid in the North Sea. But for sure we're working really hard in National Grid with everybody who's involved. And we see that our multipurpose interconnectors will be the first stage of what will become a grid in the North Sea.

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John Pettigrew, Chief Executive Officer
Thank you Jon. Mark I would just add a couple of points. So first of all I think we're really pleased to see that BEIS has launched the review of offshore transmission and how to really take forward the offshore wind, both between now and 2025 and beyond.

Some of you may have seen that last week our electricity system operator published a consultation around offshore wind and the connections. And I'd recommend you have a lot at that. Actually we've got - the consultation is out to the end of the month, but in it, it sets out some significant consumer benefits for the UK if there was increased coordination. And as John mentioned about a 50% reduction in the number of connections in to the onshore if we just have more coordination going forward.

And then finally, with regards to competition, our position hasn't changed, you know National Grid is keen to get clarify on competition going forward, both onshore and offshore. And we continue to encourage Ofgem and BEIS to pass legislation so we've got that clarity going forwards.

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Nick Ashworth, Director of Investor Relations
Thanks John. Let's stay with offshore wind and so Jenny Ping at Citi again had a follow up. So it's a question around - well it's a two part question I guess. One is around our option on Revolution Wind transmission assets, if we can elaborate a little bit there, what National Grid brings to that?

And then also, I think, John, you mentioned upfront in your overview presentation that the 10 gigawatt of offshore wind that the US East Coast is targeting, how can National Grid play a part in that and who are we talking to and what are we doing in that space at the moment?

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John Pettigrew, Chief Executive Officer
Why don't I take the first question and Jon Butterworth if you take the second?

So with regards to Revolution Wind, it's an option that we've had in place for a couple of years now, which basically allows us to work with Orsted on ensuring that we deliver an efficient connection.

What National Grid brings to it is of course we've got detailed understanding of the onshore transmission and distribution, so the ability to connect that offshore wind into the network and of course we've got a huge amount of experience, probably more than any other utility in developing offshore transmission lines.

So we're bringing some of that capability into the project. It's not our project, but we do have the option to buy the link when that construction is complete. Jon do you want to pick up the second one?

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Jon Butterworth, Managing Director, National Grid Ventures
Yeah thanks, good question. Yeah, in terms of offshore Northeast, our business development team are exploring the opportunity for National Grid with several different partners because we have that skill set that we've built up in Europe and particularly in the North Sea on subsea cables and it's in our backyard so to speak.

So at this stage we're involved with lots of potential partners to look at the opportunity. But for sure we're interested in it.

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Nick Ashworth, Director of Investor Relations
Thank you Jon. Actually we had a couple of questions on SF6 actually, so I've got one from Verity Mitchell at HSBC and another one as well.

So why is your SF6 elimination target so far out at 2050? And what are the constraints that prevent you doing it earlier?

And then as a tag onto that we have other question which is - what alternatives are there and how long could it take to eliminate? So questions around SF6.

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Nicola Shaw, Executive Director, UK
Nick I'll pick that up should I? So by 2050 is the target for our high voltage electricity network in the UK. And the reason it's not earlier is that we don't have any alternative gases that we could use at the moment, or any alternative ways of putting in the necessary protection at the moment.

What we've done in - as I said our world first is find ways to do that at a low voltage. So that's a big step forward and it gives us confidence that the various projects we're working on to synthesise something that will work at the higher voltage are also feasible for 2050. And we have a range of activities in place.

So the reason it's not before 2050 is that we don't yet know how to do it, lots of work to go on. And of course if we figure that out and it is feasible we could bring that forward.

And the alternatives really are mostly in this synthesised gas space, so what can we do to create something that can work in the same way as SF6 have. You could of course put all these substations out in to the open air, but really difficult to do when they take up so much space for air separation. So really want to be able to have them in the buildings and we want to be able to use something, but there's just a bit of time to do the development work.

Already we're saying at the low voltage we will replace all of our SF6 in the next ten years. So we've got a very high target, it's the higher voltage that's the problem. I wonder whether Badar wants to add anything from the distribution perspective.

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Badar Khan, President, National Grid US
Thanks Nicola. I think the only thing that I would add, it's the same conversation on this side of the Atlantic, is that you know we're in a partnership with the electric power industry and the EPA in finding solutions to the challenge that's before us here with SF6. So it's not something that we're doing on our own, we're working with a number of industry partners you know both in the US and in the UK.

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John Pettigrew, Chief Executive Officer
The only thing I'd add to all of that is whilst we're looking at the technology opportunities for an alternative, rest assured SF6 is only an issue if it leaks, and therefore we are very focused on making sure that we minimise the leakage of SF6 on our existing equipment as well, to protect the environment.

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Nick Ashworth, Director of Investor Relations
Thanks John. Moving back to the US, now we had a couple of questions on oil to gas heating. So the question is, the switch from oil to gas heating in the US is a theme that National Grid has been highlighting for several years now, is there anything structural slowing this down, are local regulators incentivising it enough?

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John Pettigrew, Chief Executive Officer
So why don't I just give some high level comments and then hand over to Badar. I think - certainly in my history at National Grid, the thing that has influenced most people moving from oil to gas has been the differential in the price.

So when we've seen very high oil prices then people are looking to make the investment that's needed in the new equipment they'll need in their homes in order to take advantage of the lower prices. Obviously some people are looking at it from an environmental perspective as well these days. But that has been the driver in terms of the volumes that we've seen certainly over the last five or six years.

But Badar, if you'd like to add anything from a local perspective?

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Badar Khan, President, National Grid US

Sure, thanks John. I mean I think it is a significant opportunity for reducing emissions, you know 25% of customers in our territories at least, are still using oil for heating. And we have been on that journey for some years.

I think the question for us that we're working with stakeholders, regulators and other companies is how we can go the extra step, so you beyond gas and whether it's electrification opportunities that we talked about with customers, or into the renewable gas or hydrogen space. And so those are - that's where the conversation really is. But it's clearly in the near term the most effective way of reducing emissions in terms of decarbonising heat.

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John Pettigrew, Chief Executive Officer
Nick if we could just take one more question and then I suggest we move onto the second section on social, so one more question please.

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Nick Ashworth, Director of Investor Relations
Not a problem, we had a few, keep sending them in, as I said there'll be plenty of time after the next section as to ask them as well. So thank you very much for them so far.

So let's finish with a hydrogen question because they keep coming it, this is from Bart at Soc Gen. If hydrogen plays out into the future what do you think will be the size of incremental infrastructure investments in both the UK and the US to make your gas infrastructure hydrogen ready?

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John Pettigrew, Chief Executive Officer
Okay thank you for that question. So I think the simple answer at the moment is we don't know. So as I set out earlier I think the focus over the next two to three years it so really undertake some of these pilot projects that have been mentioned to get a really good understanding of what are the investments that are going to be needed, if we look to repurpose our transmission - or distribution network to either take a blend of hydrogen, or actually pure hydrogen.

So you heard Nicola talk about a project that we're working on in the UK where we're taking a piece of the transmission network and we're going to test it by putting, I think 5%, 10% and then ultimately 100% hydrogen through it. For those who are more technical you'll know that the hydrogen molecules interact with steel in a different way and are a different size, so it will require investment in order to do - to safely be able to transport hydrogen. But that in effect is what these projects are really looking to explore.

And similarly Badar mentioned some of the projects that he's got regulatory support for at the moment to test the distribution system as well. So I think over the next two to three years we're going to get a much clearer view of what investment is needed in both at a distribution and a transmission level.

So with that Nick I suggest that if we could save the remaining questions on the environment and start the next section which is all around our social commitments in our Responsible Business Charter. So I'm going to hand over to Andy Agg.

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END

Social Q&A

Nick Ashworth, Director of Investor Relations
Thank you, Andy.

So, we're now happy to take questions on all the presentations that you've heard so far.

As a reminder, please use the 'ask a question' tab at the bottom of your screen if you'd like to write in a question.

And, so, let's go straight into it. We've had a couple of questions on COVID and the impact given we've just been speaking about that in some of the presentations. So, this one from Javier Garrido at JP Morgan.

How is the COVID-19 pandemic changing your approach to protecting vulnerable customers? And do you think that US regulators could change the way they look into bad debt allowances following the increase in bad debts triggered by the pandemic? John.

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John Pettigrew, Chief Executive Officer
So, thank you for the question.

So, let me pick up the question with regard to our change in approach with vulnerable customers. And, perhaps, Andy Agg can then pick up on the bad debt issue.

So, when we started to plan for our response to the COVID pandemic, one of the things we were very keen to do, as well as protect the safety and wellbeing of our staff, was to ensure that we were protecting our customers. Of course, for us, that starts with delivering a safe and reliable service, but we were very conscious that some of our customers were going to struggle to pay their bills.

So, we took a very proactive approach. You will be aware that in New York, for example, we froze rates, but we also work very closely with our regulators to ensure that customers who were struggling, first of all, weren't disconnected in the normal way. So, no customers were discounted in our US business as a result of not being able to pay their bills, nor do we put pressure on customers in terms of people who building up bad debts by chasing them in the, sort of, normal way.

So, our approach to it was to be very empathetic to the needs of our customers during what has been a difficult time. And then to work closely with our regulators about how we can then recover those costs and continue to support customers over the medium term.

Andy, do you want to pick up on the bad debt?

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Andy Agg, Chief Financial Officer
Yeah. Thanks, John.

I think, as you said previously on this topic, you know, we remain confident of recovering the vast majority of the amounts that we've experienced, both in bad debts and also other, sort of, direct costs of responding to COVID. I think the combination that we have of existing mechanisms and a regulatory precedent across our states, you know, indicates that.

Having said that, obviously, we're cognisant of the affordability challenge in the states we operate in and, more widely, across the US utility practice. So, I think it's important that, as we work with our regulators to balance, you know, the investment needed, the recovery of certain costs like bad debt, but making sure that, through that, we work with our regulators to manage the impacts on the customer bill, and that's what we're focused on doing in the current discussions.

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Nick Ashworth, Director of Investor Relations
Thanks, Andy.

What are the key ESG risks that you are seeing affecting the business? And what steps have you have taken to mitigate these risks?

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John Pettigrew, Chief Executive Officer
Yeah. Thank you, Nick.

I think I'd start by referencing, actually, if you look in Annual Report, you'll see that we've set out quite extensively what we see as a principle risks for the business. And, within that, right across those principle risks, you'll see that we've picked up different elements of ESG, including the impact that us not responding to the changing energy transition and the environment will have, but also how we adapt the business to the changing environment as well.

But, more specifically, if I think about risks associated with our ambition around ESG, one that I would highlight, I think, is around technology. So, as you've heard in the discussion today, in order to achieve net zero and to address key challenges like decarbonisation of heat, then we need to see the development of good government policy and good regulatory frameworks, actually, to support the innovation that's going to be needed with regard to things like carbon capture and storage as well as developing hydrogen in a way that's going to be affordable for customers.

So, I think one of the risks that we face is not taking action fast enough and making sure that we've got the right business models and the right investment and innovation to achieve that ambition that we've set, which is to support the net zero agenda.

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Nick Ashworth, Director of Investor Relations
Perfect. Thanks, John.

We had a couple of questions around our ambitions on diversity. So, I guess, the overarching one is you have an ambition to reflect the diversity of the communities you serve. What does this look like, and how do you currently measure against this data?

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John Pettigrew, Chief Executive Officer
Yeah. So, thank you, Nick. I think I'll hand over to Andy Doyle who can walk through how we're measuring it and what that means in terms of our ambition.

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Andy Doyle, Chief Human Resources Officer
Thanks, John.

I normally like to say thank you for the question - but it's actually a really difficult question to answer.

So, one of the things I think we're trying to do is to say how do you look about measuring your diversity in an organisation? What does it look like?

So, yes, we can take the communities we serve in both the UK and the states in the US, and look at gender and, kind of, the mix of ethnicity in both those states.

Actually, in the UK, we do slightly better. In the US, we're slightly further behind on ethnicity. But we've got a long way to go on gender.

But, I think it's trying to look at it in a very holistic way. And so, you know, trying to get our first target of 50% of people from a diverse background into our leadership population is our first step. It's a bold ambition, I think. We've got quite a long way to go on that. We're looking forward to the journey on trying to get there.

But we've got pockets inside the organisation, whether it's our field engineers where we've got lots of work to do, whereas, in our management layers, we do pretty well on women leaders in our management population.

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John Pettigrew, Chief Executive Officer
Thanks, Andy.

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Nick Ashworth, Director of Investor Relations
Thanks, Andy.

And, again, we've had a few questions, so I'm going to link them all up, on Andy Agg's speech, actually, on the economy and sort of our data reporting. And so I guess an overview one would be how are you going to determine the scope and performance data within the ESG reporting? And then how are you going to ensure the integrity and the consistency of this data?

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John Pettigrew, Chief Executive Officer
Okay. Andy, do you want to take that?

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Andy Agg, Chief Financial Officer
Sure. Thanks for the question.

Yeah, I think, as I said, you know, we've very conscious, and I'm conscious when we think about reporting this. There's a plethora of different standards and obligations being placed on us, and different guidelines. And I think one of the things we support are initiatives that work towards the standardisation of that. So, for example, the recent requirement plan, EU Taxonomy. Any initiative that helps us standardise is a good progress for us.

Clearly, we're focused on things like the SASB and the GRI, which, I think, is fair to say, are emerging as two of the leading parts of coming together with standardisation of reporting.

But, as I said earlier, I think we'll take into account all of these things as we pull together our first responsible business report next year. And we'll also look to make sure that we provide the information that our investors need to meet their own obligations as well.

In terms of the assurance points, yes, we've already appointed one of our professional service firms to audit a subset of that data in the first year. That will build up over time. And we'll have then a combined assurance model internally as well. So, we want to make sure that we're projecting that information with the added assurance of it being audited for all our stakeholders.

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John Pettigrew, Chief Executive Officer
Thanks, Andy.

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Nick Ashworth, Director of Investor Relations
Thanks, Andy.

So, we have another COVID-related question. Can you provide an update on relations with unions, particularly with respect to unionised employees' views of COVID safety precautions? Is there paid time off for the employees who contract COVID?

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John Pettigrew, Chief Executive Officer
So, Nick, why don't I take it at the high level, and then I'll ask Nicola and Badar to talk about what's going on at local level?

So, one of the things that we needed to do quite quickly when the pandemic started was to actually stand back from our day-to-day operations, and ensure that we could continue to deliver the operational activities we undertake, the maintenance activities and the construction activities in a safe way. And we work very closely with our union colleagues on that.

So, you may be aware that, with regard to our control rooms, for example, we sequestered our staff so they were living and working at our local sites.

With regard to our maintenance and construction work, we took a pause to make sure that we could change our ways of working to ensure that, when staff are going into different sites, that they were able to work safely. And, again, we worked very closely with the unions on that.

And with regard to people who are off sick, then, of course, we support them right through that. So, National Grid has not furloughed or made anybody redundant as a result of COVID, and we treat COVID illness like any other illness in terms of sickness. So, we provide support to our colleagues.

But, with that, let me just hand over to Nicola, perhaps, to talk about it locally at the UK level.

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Nicola Shaw, Executive Director UK

Thanks, John.

Yeah, all of that has happened in the UK. And, really, I'm very grateful for the work the trade unions have done with us. We've had some joint communications from the management and the unions together to staff to make sure everybody is aware of how we're working safely. And that's been very helpful.

So, all the things you'd expect in social distancing and, in particular, making sure that our communities around us recognise that our guys are really key workers.

So, if you're out and about, and you're working for National Grid, you carry a letter with you that says you're on a piece of work that's necessary for society, which we saw more of at the beginning, I think, of the crisis. We saw more people challenging our staff on the streets saying - what are you doing? And it was great for them to have a letter from the Secretary of State for Business and the Environment, who was keen to make sure that everybody recognised the standing of our staff as they were going about their work.

And all of the procedures we've put in place have worked very well, and I'm really pleased to see the way that people have continued to work and delivery during what is quite a difficult time. Badar.

. . . .

Badar Khan, President, National Grid US
Thanks, Nicola.

I can say I'm incredibly proud of the resilience, the support for each other, the support for our communities that our workforce has shown. You know, I think, over the last six months, we've shown that we can tackle these things together.

In terms of the specific question, as John has said, we've put in place a significant number of safety protocols for the work out in the field. We have a significant amount of work that we're required to go into customer premises. So, of course, we pulled back from all of that activity and have developed protocols with respect to starting up that kind of work.

We get storms, clearly, here in the United States. We've had a number of storms here over the course of the last several months already, and our people, again, have demonstrated, you know, fantastic support for each other with respect to safety protocols, social distancing, to ensure that we keep each other safe and we deliver for our customers during these storms.

So, I would say that, you know, our people have really shone over the last several months in the way that they've managed with this COVID pandemic.

And, as a company, as John has said, we've done a lot of things to support our customers, our employees in terms of commitment to their employment as well as, of course, when they're off sick.

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Nick Ashworth, Director of Investor Relations
Thanks, Badar.

So, this is actually a bit of an overview question. It's from Royal London. So, you've got some great ENS commitments and strategies, but how are you ensuring that they are interlinked? In particular, how are you ensuring you address the socio-economic implications of your company's net zero ambition and decarbonisation strategies on workers, communities, supply chain and consumers in a way that mitigates negative impact and enhances the opportunities of the Energy Transition?

. . . .

John Pettigrew, Chief Executive Officer
That's quite a big question, Nick, I think [Laughs].

I think what we've tried to do today, actually, is talk about the five pillars of what we believe is necessary to be a responsible business, and, within that, talk very specifically about each activity and each commitment that we're making that will deliver across what we believe is a responsible business.

So, if I take the environment, we've talked about our commitments in terms of reduction in CO_2 emission. We talk about some of the commitments we're making as a company, but also as a key enabler. And I think it's as a key enabler that we think about the role that we're playing that supports society, our staff and the economy more broadly.

So, as I said in my speech, National Grid's Scope 1 and 2 emissions are 6.5 million tonnes, but, actually, that's a very small percentage of the total emissions that we see across the jurisdictions that we operate.

But we have a much bigger role to play in society in enabling the transition of energy and the achievement of net zero, and we do that through things like the development of opportunities for the ultra-fast charging network in the UK, or the work that Badar has referenced, that we're looking at decarbonisation of heat and energy efficiency in the US.

So, I think we think of all these different pillars, and how they interact, but our focus, very much around the commitment that we can make as an individual company, but then the much bigger impact we can have as an enabler.

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Nick Ashworth, Director of Investor Relations
Perfect. Thank you, John.

Actually, we've had a comeback on Andy Agg's answer around the Responsible Business Report. So, Andy, when you say 'audited' do you mean a limited assurance or full assurance of the RBR, Responsible Business Report?

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John Pettigrew, Chief Executive Officer
Okay. It's definitely one for you, Andy.

. . . .

Andy Agg, Chief Financial Officer
I know. Thank you.

At this point, we're still working out the level of detail around all the different metrics. So, it will vary. Some metrics, we would expect to almost do a full external audit levels, other metrics will be subject to more limited assurance. And then that will evolve over the time.

So, we're working through that programme, but it will be in place to provide that assurance for the Responsible Business Report next spring.

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Nick Ashworth, Director of Investor Relations
Thanks, Andy.

And, from Verity Mitchell at HSBC - why does National Grid not also have a Girls Inc programme in the UK?

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John Pettigrew, Chief Executive Officer
So, I'll hand over to Andy in a moment, but just to reassure, actually, we have multiple programmes running in both the UK and the US. I think Marcy gave just one example.

But we've had a real focus, actually, over the last couple of years on how we encourage young girls, particularly in schools, actually, to want to do STEM subjects because, by encouraging them to do STEM, ultimately, they'll go to university, and it's those types of skills that are going to critical to us in the net zero world.

So, we have a number of what we call 'STEM Ambassadors' in National Grid, both in the US and in the UK, that go out and work with schools and with young girls, in particular, to really encourage them to want to work in the energy sector and, hopefully, also for National Grid. But, Andy, let me hand over to you.

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Andy Doyle, Chief Human Resources Officer
I'd really just reinforce some of the comments that you've made there, John, that says that we kind of try and let people make local decisions around what programmes that they support within the broader theme. We'll certainly have a look at that one in terms of Girls Inc for the UK, but we're very committed to empowering young women in STEM subjects as well, and that's where a lot of the focus has been on the school STEM subjects in the past.

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John Pettigrew, Chief Executive Officer
Thanks, Andy.

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Nick Ashworth, Director of Investor Relations
Thank you very much for that.

So, please keep sending in questions on the S Section, but I do know we've had a lot of questions still coming on the E Section, so we may just go back to that for a question or two.

We've got a lot of questions still around interconnectors. So, for example, this one from Fraser McLaren at Bank of America - can you comment on the recent cap and floor perimeters proposed for Viking and the investment case? And does your assumption around 90% low CO_2 imports over all of the links rely on maintenance of a premium carbon price in the UK versus the EU?

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John Pettigrew, Chief Executive Officer

Okay. Let me just frame the cap and floor with regard to interconnectors and I'll hand over to Jon Butterworth to talk about the specifics.

So, National Grid's always been very, sort of, positive and supportive of the cap and floor mechanism. So, for those who are not close to it, ultimately, our revenues in the interconnectors are delivered by the differential in energy prices between Mainland Europe and the UK. But, in order to protect consumers from, effectively, very, very large differentials which could lead to very large revenues for National Grid but, at the same time, to protect National Grid against its investment of this differential fall, we've agree, effectively, a wrapper around those revenues with our regulator, which we call a cap and floor. And they have worked very effectively for the investments that we've done most recently in the last couple of years.

With regard to the specifics on Viking, I'll hand over to Jon, and also he can pick up on how he sees the carbon tax impact in going forward.

. . . .

Jon Butterworth, Managing Director, National Grid Ventures
Yeah, thanks, John.

Yeah, I think, particularly on the Viking interconnector, and if you look at the investment case, when we talk about 90% lows, or zero CO_2 imports, what we've done is we have a very comprehensive and detailed team that analyse all the policies over the next 10 years of all the generators that the interconnectors feed from in Europe and import across the North Sea into the UK. And when you model all of that, and model it and verify it externally, you get to 90% of CO_2 imports will not have CO_2 in them, that will be carbon free. So, that's when we talk about 90% low CO_2 imports, what we mean is that, externally verified, the generation mix coming over through the link will be 90% CO_2 free.

And then we talk about your other question of carbon price. And the difference is that whatever we see, we will also see that differential when we model it looking forward for the next decade in terms of that CO_2 tax. So, whether it's UK or EU, you see a differential between the link on one side and the other. And so we will see that premium coming through for the next decade.

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John Pettigrew, Chief Executive Officer
I mean, the only other thing I'd add to that is, when you actually look at the fundamentals of the interconnector, then the fact that our peaks are at different times to Mainland Europe, we have different weather systems, and the generation of backgrounds are different, all of that also drives the price differential. So, a low carbon price can have an impact on that differential, actually, those fundamentals aren't going to change over the short, medium or long term.

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Nick Ashworth, Director of Investor Relations
Thanks, John.

So, a question from Mark Freshney who talks about returns and ROEs in the US and the UK coming down a little bit, but we're making improvements, National Grid is making improvements and talking about its commitments around ESG, so what practical examples can you give where having a higher ESG rating could allow for higher returns?

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John Pettigrew, Chief Executive Officer
Well, I'll ask Andy Agg just to give his views on it in a minute, but let me just give a practical example of how focusing on ESG, and particularly the environment, can actually drive financial performance and a good outcome both for the environment and for our customers.

So, National Grid spent about £5.4bn last year on different capital investment programmes across the UK and the US. A number of years ago, we considered how we could drive our supply chain to think about the environment, and, at the same time, we were keen to also drive efficiency.

So, as part of our procurement process, we put in place - part of the weighting that we would consider is carbon. And by putting that weighting into our procurement process, it has driven not only a reduction in carbon emissions for all our new capital investment programmes going forward, but it has also reduced the cost that we've seen for those capital projects. So we're seeing capital efficiencies as a result as supply chains have been forced, really, to think more innovatively about things like civils and concrete, and, therefore, that has a beneficial impact on our customers and, ultimately, helps us to drive better returns through our regulatory contracts as well.

But, Andy, why don't you give your thoughts?

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Andy Agg, Chief Financial Officer
No, thank you, John.

And, you know, it's a really good question. I think I'd answer it in a couple of levels, actually. The first is just to build on John's final point there which is, you know, for us, obviously, ESG is the right thing to do, but it's also very much aligned with some of the policy goals and, therefore, the regulatory goals of the jurisdictions we operate in, you know

As you heard in the presentations earlier, both the UK and all the states we operate in in the US, have their own very stretching ambitions in this space. So, to be fully aligned with that in our own trajectory is critically important as we talk to our own regulators about investments, about the funding of pilot projects, all of which contribute to remuneration and their returns.

But maybe just, you know, another example for me, I touched on green bonds, green financing. Again, for me, that’s not necessarily about immediately getting a pricing benefit for a particular bond, but it certainly enables us to access different pools of capital, and, therefore, you know, in terms of, you know, attracting more investors to our debt issuance, which we believe has certainly contributed to making sure we can continue to finance at an effective rate.

So, I think, you know, micro level as well, there's a number of ways that ESG will enable us to continue to perform against our regulatory arrangements.

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John Pettigrew, Chief Executive Officer
Thanks, Andy.

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Nick Ashworth, Director of Investor Relations
Thanks, Andy.

So, turning back to the US, and we have a question on oil again, so understanding that replacing oil heat is a very high priority, but also recognising that electric heat pumps are ultimately where the industry is going. What are your thoughts on the rationale of investing in the gas infrastructure for these customers rather than move directly from oil to heat pump?

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John Pettigrew, Chief Executive Officer
Well, I think Bader made referenced to this earlier on, so I'll ask Badar just to answer that question. Badar.

. . . .

Badar Khan, President, National Grid US
Yeah. I mean, I think, as we said before, we think that there are multiple pathways in our goal to decarbonise heat.

Clearly, there is an opportunity to electrify heat from through pumps, geothermal, which we're pursuing. And I have talked about some of the things that we're doing in our territories. But there are practical and affordability considerations that we have to take into account as well, and I think that's why we see, in the long term, I think as John described them, mosaic solutions. That includes not just electrifying heat, but also green gas, so biogas, RNG and hydrogen that can be made from renewable electricity.

And I think that's the sort of conversation that we're having with regulators, stakeholders. Those are the projects and the pilots that we're trying to prove out.

And so I think that's how we see the decarbonising heat agenda progressing over the next several years.

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John Pettigrew, Chief Executive Officer
Thanks, Badar.

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Nick Ashworth, Director of Investor Relations
Thanks, Badar. And maybe, in the interests of time, this may have to be last one. So it's going to an overarching one which I've had from an investor. So, to what extent do you look at ESG, not only as avoiding and mitigating risks, but as a set of indicators to create measurable value, both to investors and to the wider energy system?

. . . .

John Pettigrew, Chief Executive Officer
So, thank you. I think a lot of what we've been talking about today is exactly that in a way. So, we really don't think about it as just about mitigating risk at National Grid. Clearly, we do have, within our principle risks, we do consider, if we don't adapt in the appropriate way, what will that mean for our networks, for example?

But, actually, increasingly, we do think of it as a value proposition. First of all, you know, it's right thing to do as a business, and that's why we've published our Responsible Business Charter, but we do see it as an opportunity to create value. And a lot of what we've talked about today is about opportunities for National Grid as well as mitigating the risks.

So, the opportunity for us to be involved in helping the decarbonisation of gas, the opportunity to extend the network to be able to enable the electrification of transport, all of these things are fantastic opportunities that will create real value for National Grid.

At the same time, the way that we position National Grid as a supporter of net zero, and as an enabler, is allowing us to attract talent like we've never seen before.

So, Nicola referenced The Job That Can't Wait. Our focus for that campaign was very much around how ESG and being a responsible business could be something of a movement that people could be a part of. And we were amazed, actually, at just how overwhelming the response to that was.

So, I think Andy referenced, we've got seven times more apprentices applying. I think we had two or three times more the number of graduates applying. And that was purely down to the fact that people see the ESG agenda, and net zero, and the broader proposition we have has been a purpose-led organisation, to be something that's really attractive. And, of course, if you have the best talent, you'll get better outcomes for our investors going forward, and for our customers as well.

So, we do think of it very much as an opportunity and not as a risk these days.

So, with that, Nick, I think we're out of time in terms of questions. So, I'm just going to say thank you so much for joining us this afternoon. This is the end of the first session.

What we have done this afternoon, and I hope you've got a sense of it, is just give you a description of the progress that we are making as a purpose-led responsible business, in particular on the environment and social, but we've also tried to set out the commitments that we're making and the ambition that we have as an organisation.

As I said, in the time available, it's all we could do was provide an overview, but we've got planned a number of sessions in the new year where we can go through each element in a lot more detail.

So, in the meantime, I thank you for your questions and for joining us. We're going to take a short five-minute break and then I'm going to hand over to Sir Peter Gershon who is going to take you through the governance element of ESG.

Thank you very much.

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END

Governance Q&A

Nick Ashworth, Director of Investor Relations
Thank you Jonathan. And as a reminder, please use the 'ask a question' tab on your screen if you'd like to write in a question. And if you're like it to be attributed please write that in the box and if you the question is for a particular speaker than please also make that clear as well.

So with that we will move on to the first question. So we've got the questions coming in. So Sir Peter I think I will start with a question from one of our investors. What is the governance mechanism to ensure internal accountability for meeting the goals within the Responsible Business Charter and will there be Board level of managerial responsibility for achieving these goals and integration into Executive pay?

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Sir Peter Gershon, Chairman
I think it's worth saying that in John Pettigrew's quarterly business reviews all the key aspects of the Responsible Business Charter commitments are reviewed with the businesses. And the Board will hold the Executive accountable for meeting the goals that have been clearly set out in the Responsible Business Charter.

As for integration into Executive pay, I mean - Jonathan has just indicated that we are in the early stages of a review of the policy and I am sure that that is one of the issues that he will want to discuss both with management and consult with shareholders on before we finalise our proposals to put to shareholders for voting on at next year's AGM.

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Nick Ashworth, Director of Investor Relations
Perfect, thank you very much for that.

The next one is on climate risk. Is climate risk factored into the Board risk appetite statement and in enterprise risk taxonomies? And if so what type or category of driver in risk taxonomies?

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Sir Peter Gershon, Chairman
So we have a number of our principal risks which are heavily influenced by climate risk, for example security of energy supplies, which is clearly vulnerable in areas like the exposure of some of our key sites to flooding and measures that we're taking on improving the flood defences. And also the whole transition to the clean energy system, which has you heard from Andy Doyle, requires massive amounts of new skills and talent to come into the industry. So those sorts of things are included.

I'm sure as we work our way through the implementation of the goals of the Responsible Business Charter that this is something that my successor will want to look at at an early stage in her tenure - as to whether the existing statements of risk appetite and principal risks that we have do need to be modified in light of what we have now published in terms of the RBC.

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Nick Ashworth, Director of Investor Relations
Thank you we have actually has a few questions on cyber and it's something that you mentioned in your presentation. So can you talk a little bit about the changes to the cyber policies that have been made in recent years and the impact that that's having please?

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Sir Peter Gershon, Chairman
So I think, if I look back at how the Board's consideration of cyber has evolved since 2012, I think when we started I think that one of the real challenges is how do you find a framework in which the Board can have an intelligent discussion with the Chief Information & Security Officer, which does not immediately take you into a lot of - the world of geeks and spooks.

And I think through the work that was then done to adopt the NIST framework that is well established in the US, we have now found a framework in which it is possible for the Board to have sensible value adding interactions with the CISO and the IT Director and the Executive. And it enables us to challenge why for example our appetite has been set at certain levels in certain aspects of cyber, without getting completely - being overwhelmed by a lot of jargon, which is a characteristic not just of cyber, but of the IT industry as a whole.

So I would describe it - that's probably, I think the biggest change is about the implementation and use of the NIST Cybersecurity Framework that has enabled us to have much more constructive and value adding discussions with the Executive and the Management on this critical topic.

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Nick Ashworth, Director of Investor Relations
Thank you. This maybe one for Jonathan I guess, but we've had a few questions on Rem' and so the one I'm going to ask, I guess, is do you expect the portion of ESG linked Executive compensation to increase going forward, and, or are there any other ESG metrics that you expect to incorporate into Executive compensation?

Are there plans to integrate ESG metrics for compensation of mid level management as well?

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Sir Peter Gershon, Chairman
Jonathan?

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Jonathan Dawson, Non-Executive Director
Thank you. A work in progress but I exposed the points in my short address deliberately to say that this is clearly going to be something we're focusing on, this is clearly something that is part of the zeitgeist and is entirely consistent with the strategy for the longer term of the company. So I would expect to have metrics which build on what we already do and we will be exploring additional metrics that could be appropriate to be added in.

I can't make any promises at the moment because we are still some months away from concluding as to how percentages will flow. But this is more of a growing subject than a diminishing one.

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Nick Ashworth, Director of Investor Relations
Understood, thank you Jonathan.

Bouncing around a little bit as the questions come in. So Sir Peter one of the last decisions you may need to cover will be whether to accept the UK's or GB's transmission price controls or asking for a CMA referral, what framework will you use to assess that and are there any lines in the sand? That's from Mark Freshney at Credit Suisse.

. . . .

Sir Peter Gershon, Chairman
Well thank you for that question. I think leading the Board through that decision in the early part of calendar '21 probably will be the last significant decision the Board will make under my Chairmanship.

I was fortunate enough to be around in 2013 when we accepted the T1 settlement and still remember some aspects of the discussions we had at the time. So I think some of the critical factors we will have to take into account are, firstly, we'll have to look at the settlements in the round as to whether we think they are acceptable or not.

Secondly, we will have to be careful in distinguishing between those aspects of a settlement we may not like, but actually when you stand back in the cool light of day actually the logic and the rational that the regulator has used for the particular aspect of the settlement - are such that there's - you know they're robust and the advice will be, you know, you can go to the CMA on the it but your chances of winning are not very high. In which case I think it would be pretty pointless to waste time and money going to the CMA.

So will need to look very carefully at whether there are aspects I think of the proposed settlement that we do not regard as being in the best long term interests and where we think there may be a realistic chance of succeeding at the CMA.

But it's also worth bearing in mind of course that under the system for appealing energy settlements we are no longer in a situation where the whole settlement is appealed or accepted, we can choose to go to the CMA on individual aspects of a settlement without challenging the whole settlement.

So those will be some of the factors that the Board will take into account I think in the determination of whether or not we accept the Ofgem final determinations.

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Nick Ashworth, Director of Investor Relations
Thank you. Moving on to diversity, how do you currently compared to the Hampton-Alexander & Parker Diversity Review Standards?

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Sir Peter Gershon, Chairman
So today we have four out of 12 members of the Board are female and we have one Board member from an ethnic minority. When Paula Rosput joins the Board on the 1st of January, 5 out of 13 of the Board will then be female. So today we are at a third female, 1st of January we will be - I think 38% female and we already meet the Parker Diversity Review Standard of at least one person of ethnic minority being on the Board.

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Nick Ashworth, Director of Investor Relations
In terms of COVID, we've got quite a few questions coming in on COVID and how the business has dealt with it. Can you just talk a little bit about how you've seen it from a Board's perspective and how the Board has dealt with COVID and the changes to the business over the last six months?

. . . .

Sir Peter Gershon, Chairman
So throughout the COVID thing I think that what the Board has sought to do is to be able to be helpful and supportive of management. In the early stages we were meeting weekly with management for about an hour to be updated on what was a very fast moving situation.

It also provided a very helpful forum in which non-executives who sit on other Boards could bring to those meetings and to the attention of the management what they were seeing as best practice in some of the other companies they were involved in, so that management could also add that to the range of measures that they were looking to implement.

And one of the other things that we have been very keen as a Board to do is, I think like many other companies, we saw a degree of agility and flexibility and speed within the company that was somewhat different and we thought better than if you like, what we had seen in business as usual.

So one has been very keen to sort of surface with management which aspects of our sort of current modus operandi as a result of COVID-19 do we need to ensure that we retain in the organisation as hopefully we return to some form of new business as usual so that we do retain some of those aspects of speed of decision making and agility and flexibility.

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Nick Ashworth, Director of Investor Relations
Thank you. And just on that we've had a couple of questions around financing and thinking about the Group through COVID as well. And I know that Thérèse touched on it a little bit as well. So maybe we can ask Thérèse a little bit about how the Finance Committee has thought about the changes to the organisation through financing through COVID.

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Thérèse Esperdy, Non-Executive Director
Well it was clearly what I mentioned in the prepared remarks. We spent an enormous amount of detailed time on this whole stress testing analysis and modelling that the team did. And obviously that was quite fluid as the environment around us changed, but our focus was clearly on liquidity, cash, capex, the impact on capital structure, credit metrics, regulatory recovery. And we looked at it from both a sort of term immediate lens as well as a longer term intermediate lens. And as the environment changed around us with respect to lockdown scenarios, etc, we updated things.

But it was a pretty dynamic process in the beginning and then as the markets fairly quickly returned to a pretty amazing degree of stability the finance team has actually been quite active in terms of financing. And so it really hasn't disrupted the planned financing agenda for the year to any great extent.

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Sir Peter Gershon, Chairman
I think if I just add to what Thérèse said, I mean certainly in respect of the work the Finance Committee did in preparation for the viability statement in this year's Annual Report and Accounts there was a lot of work done with management, identifying a realistic worst case for COVID-19 against which to do the stress testing for the viability statement.

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Nick Ashworth, Director of Investor Relations
If people have more questions on governance then please do write them in. You can write them in to the 'ask a question' box at the bottom of your screen, otherwise we just have one final question, which would be - would you consider putting the Group's net zero transition plan to the next AGM for shareholder approval?

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Sir Peter Gershon, Chairman
I mean at this stage I think the answer to that question would be no. I don't get any sense at the moment from investors that this is a matter that they would wish to be put for approval. So and next year's AGM is a long way away there's a lot of water to flow under the bridge in terms of continuing to deal with the ongoing

challenges of COVID-19 and various other things that the company is dealing with at the moment. But as of today my answer to that question would be no.

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Nick Ashworth, Director of Investor Relations
And with that I think we've finished the session, so thank you Sir Peter, Thérèse and Jonathan and thank you for all your questions and interest today.

I hope you've found the event informative. All today's materials can be found on the Investor Relations website. If you have any further questions please feel free to contact me or any of my team and we'll be happy to help.

We look forward to seeing some of you at our half year results which will be on the 12th of November. And of course we hope to see many of you again for our first Grid Guide To session on the 21st of January next year.

Thanks for joining and stay safe.

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