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.

5-year outlook FY22-26

**Capital investment**
- £8bn
- UK Electricity Transmission
- £5bn
- UK Electricity Distribution
- £17bn
- US Regulated
- £2-3bn
- NG Ventures

c.£8bn of which is Green Capex1, aligning to EU taxonomy

**Group asset growth**
- 6-8% CAGR2

**EPS growth**
- 5-7% CAGR2

**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

**Highlights**

- 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

<table>
<thead>
<tr>
<th>Segment</th>
<th>Operating profit</th>
<th>Change</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK Electricity Transmission</td>
<td>£1,152m</td>
<td>+10%</td>
<td>£1,052m</td>
</tr>
<tr>
<td>New York</td>
<td>£706m</td>
<td>+2%</td>
<td>£722m</td>
</tr>
<tr>
<td>UK Electricity Distribution</td>
<td>£887m</td>
<td>+4%</td>
<td>£853m</td>
</tr>
<tr>
<td>New England</td>
<td>£886m</td>
<td>+12%</td>
<td>£794m</td>
</tr>
<tr>
<td>UK Gas Transmission</td>
<td>£734m</td>
<td>+23%</td>
<td>£595m</td>
</tr>
<tr>
<td>NGV and Other</td>
<td>£307m</td>
<td></td>
<td>£117m</td>
</tr>
<tr>
<td>JVs post tax share</td>
<td>£148m</td>
<td></td>
<td>£66m</td>
</tr>
</tbody>
</table>

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:

- Equity: 19%
- Debt: 81%
- Currency profile: 47% US dollar, 53% Sterling

- Fixed Rate: 64%
- Floating Rate: 25%
- PPI linked: 11%
- Net Debt: £42.8bn
- Regulated Assets & Invested capital: £59.0bn
- Gearing: 55%
- Core baselined TOTEX (18/19 prices): £5.4bn
- Sharing Factor (TOTEX): 33%

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.

Regulatory Overview

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

- Proposed Business Plan: RIIO-ED2 (2023-26)
  - Allowed return on equity: 4.96%
  - Gearing: 60%
  - Core baselined TOTEX (21/22 prices): £6.7bn
  - Sharing Factor (TOTEX): 50%

RIIO-T2 (2021-26)
- Allowed return on equity: 4.25%
- Gearing: 55%
- Core baselined TOTEX: £5.4bn
- Sharing Factor (TOTEX): 33%

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: ≤$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 (20/21 prices): ≤$1.3bn

- NIMO Gas & Electric (2021-24)
  - Allowed return on equity: 9.0%
  - Equity to Debt: 48:52
  - CAPEX: ≤$3.3bn

- Mass Electric (2019-24)
  - Allowed return on equity: 9.6%
  - Equity to Debt: 53:47
  - CAPEX (19/20 prices): ≤$1.5bn

*backdated to 2020

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%.
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
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^

Electricity c.70%
Gas c.30%

Capital investment
FY2022-26

<table>
<thead>
<tr>
<th>National Grid Green Financing Framework</th>
<th>EU Taxonomy aligned</th>
<th>Total Capital Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>£13bn</td>
<td>£24bn</td>
<td>£30-35bn</td>
</tr>
<tr>
<td>Eligible Electricity Investment</td>
<td>Gas emissions reduction investment</td>
<td>Ineligible gas &amp; other investment</td>
</tr>
<tr>
<td>Gas emissions reduction investment</td>
<td>NE Transmission</td>
<td>EU Taxonomy aligned</td>
</tr>
</tbody>
</table>
| 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.

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 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.

^ 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
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.

<table>
<thead>
<tr>
<th>Environment</th>
<th>Communities</th>
<th>People</th>
<th>Economy</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>COP26 principal partner and new Scope 3 SBTi aligned targets set for the Group</td>
<td>Reliability of over 99.9% across our networks</td>
<td>Ranked 1st in the UK and 3rd globally in the Equileap gender equality report of over 4000 companies</td>
<td>Around £24 billion of investment in our five-year financial framework aligned to new EU Taxonomy for sustainable activities</td>
<td>Publishing our first Climate Transition Plan as part of this year’s Responsible Business Report (RBR)</td>
</tr>
<tr>
<td>Clean Energy Strategy for our US networks launched</td>
<td>In New York, we launched our Project C for community programme</td>
<td>97% completion rate on unconscious bias training</td>
<td>Investments supporting world-class network reliability, security of supply and the energy transition</td>
<td>Our ongoing work with regulators and politicians is helping define clean energy roadmaps to 2050</td>
</tr>
<tr>
<td>First year of IFA2 and North Sea Link interconnectors, saving more than 2 million tonnes of CO₂ per annum</td>
<td>Our Fair Transition Statement sets out how we are engaging on the challenges the transition presents to communities</td>
<td>Diversity, equality and inclusion remains top of our priorities</td>
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<td></td>
</tr>
</tbody>
</table>

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

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...the Future of Heat in Downstate New York

Oct 2021: Read the factsheet

Oct 2021: Listen to the podcast

Grid Guide to...the Decarbonisation of Transport

July 2021: Watch the webcast
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.

Timeline of our Commitments

Environment
- In the UK, the National Grid ESO (Electricity System Operator) will be able to operate a zero-carbon system by 2025.
- We will reduce Scope 1 and 2 greenhouse gas (GHG) emissions 80% by 2030 from 1990 baseline.
- Reduce SF6 emissions from our operations 50% by 2030, from a 2019 baseline.
- Reduce energy consumption in our offices 20% by 2030, from a 2020 baseline.
- Improve the natural environment by 10% on the land we own by 2030.
- We will reduce Scope 1 and 2 greenhouse gas (GHG) emissions 90% by 2040 from 1990 baseline.
- Achieve Net Zero by 2050.
- Eliminate all SF6 gas from our assets by 2050. Technology and solutions are not yet available to achieve this. Therefore, we will work with partners from across the sector to identify, develop and implement SF6-free solutions at the earliest opportunity.

People
- Achieve 50% diversity in our Senior Leadership group by 2025.
- Achieve 50% diversity in all our new talent programmes by 2025.

Continuous commitments
- Environment
  - Achieve zero carbon emissions from business air travel. From this year (2023) onwards, we will reduce our annual air miles travelled by at least 50% from a 2019 baseline.
  - Accelerate our net zero target wherever possible.
  - Develop skills for the future, with a focus on lower income communities, providing access to skills development for 45,000 people by 2030.

Community
- Deliver energy in a fair and affordable way to the communities we serve.
- Continually review the company culture to ensure it is inclusive.

Economy
- Work across our supply chains to ensure that, together, we reflect the diversity of the communities we serve and respond to the economic needs of those communities.

Governance
- Achieve 50% diversity in our Group Executive Committee.

Important notice
This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include information with respect to National Grid’s financial condition, its results of operations and businesses, strategy, plans and objectives. Words such as ‘aims’, ‘anticipates’, ‘expects’, ‘should’, ‘intends’, ‘plans’ or ‘believes’, ‘outlook’, ‘seeks’, ‘estimates’, ‘targets’, ‘may’, ‘will’, ‘continue’, ‘project’, ‘and similar expressions, as well as statements in the future tense, identify forward-looking statements. This document also references climate-related targets and climate-related risks which differ from conventional financial risks in that they are complex, novel and tend to involve projection over long term scenarios which are subject to significant uncertainty and change. Furthermore, this document, which is provided for information only, does not constitute summary financial statements and does not contain sufficient information to allow for a full understanding of the results and state of affairs of National Grid, including the principal risks and uncertainties facing National Grid, as would be provided by the full Annual Report and Accounts, including in particular the Strategic Report section and the ‘Internal control and risk factors’ section on pages 236 to 239 of National Grid’s most recent Annual Report and Accounts for the year ended 31 March 2021, as updated by National Grid’s unaudited half-year financial information for the six months ended 30 September 2021, published on 18 November 2021. Copies of the most recent Annual Report and Accounts are available online at www.nationalgrid.com or from Equiniti Limited. Except as may be required by law or regulation, National Grid undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this document. The content of any website references herein do not form part of this document.
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