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.

Upgraded 5-year outlook FY22-26
Capital investment

- £9bn UK Electricity Transmission
- £6bn UK Electricity Distribution
- £12bn New York
- £9bn New England Regulated
- £3-4bn New England Regulated
- £3-4bn NG Ventures
- £29bn of which is Green Capex, aligned to EU taxonomy

Group asset growth 8-10% CAGR
Underlying EPS 6-8% CAGR

Geographic and regulatory diversity
Asset base post strategic repositioning

- Geographical split
  - US c.40%
  - UK c.53%
  - NG and Other c.7%
- Energy split
  - Electricity c.70%
  - Gas c.30%

Highlights

- Significant capital investment in energy infrastructure driven by a full six-month contribution from UK Electricity Distribution; higher investment in the US; continued investment in our interconnector programme and our Isle of Grain expansion project.

- Strategic pivot towards higher growth electricity
  - WPD rebranded as National Grid UK Electricity Distribution. Rhode Island sale completed in May 2022, and on track to complete sale of majority stake in UK Gas Transmission and Metering by the end of the calendar year 2022.

- Clean Energy Vision launched to deliver the energy transition across our US businesses.

Group financial summary half year ended 30 September 2022

- Operating profit £2,117m ▲ 44% FY22: £1,470m
- Underlying EPS 32.4p ▲ 42% FY22: 22.8p
- Dividend growth 17.84p ▲ 3.7% FY22: 17.21p
- Capital investment £3,883m ▲ 26% FY22: £3,092m

1. Aligned to EU Taxonomy, directly invested into the decarbonisation of energy networks.
2. Compound annual growth rate FY2022-26. Forward years based on assumed USD FX rate of 1.2; long run CPIH and RPI inflation assumptions based on October forward curves, and scrip uptake of 25%. Reflects sale of Rhode Island and assumes the completion of sale of 60% stake in UK Gas Transmission & Metering (UK GT&M) at end of 2022. Assumes 40% equity interest of UK GT&M included in continuing operations from start of 2023.
3. Calculated as proportion of actual FY22 asset base post completion of acquisition of Western Power Distribution, and sale of Rhode Island business and majority stake in UK Gas Transmission and Metering.

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

Operating profit and capital investment calculated at constant currency.

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

Dividend
- Aim to grow dividend per share in line with CPIH

HY23 Investor Relations

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

Dividend
Aim to grow dividend per share in line with CPIH

Underlying results
- Operating profit £2,117m ▲ 44%
- Underlying EPS 32.4p ▲ 42%
- Dividend growth 17.84p ▲ 3.7%
- Capital investment £3,883m ▲ 26%
### Financial performance

#### Underlying Segmental Summary – HY23

<table>
<thead>
<tr>
<th>Segment</th>
<th>Operating profit</th>
<th>% Change</th>
<th>HY22</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK Electricity Transmission</td>
<td>£564m</td>
<td>2%</td>
<td>£552m</td>
<td></td>
</tr>
<tr>
<td>UK Electricity Distribution</td>
<td>£579m</td>
<td>125%</td>
<td>£257m</td>
<td></td>
</tr>
<tr>
<td>UK Gas Transmission</td>
<td>£381m</td>
<td>15%</td>
<td>£332m</td>
<td></td>
</tr>
<tr>
<td>New York</td>
<td>£202m</td>
<td>25%</td>
<td>£162m</td>
<td></td>
</tr>
<tr>
<td>New England</td>
<td>£316m</td>
<td>11%</td>
<td>£284m</td>
<td></td>
</tr>
<tr>
<td>NGV and Other</td>
<td>£404m</td>
<td></td>
<td>£166m</td>
<td></td>
</tr>
</tbody>
</table>

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

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### Balance Sheet

#### Gearing and debt profile

As of 30 September 2022:

- **Net Debt**: £46.5bn
  - Fixed Rate: 71%
  - Floating Rate: 19%
  - Index linked: 10%

**Currency profile**
- 51% £ sterling
- 48% US dollar
- 1% Euro

**Interest Coverage**
- Moody’s RCF / Adjusted Debt: 8.9%
- Moody’s FFO Interest Cover: 4.7x

#### Moodys RCF / Adjusted Debt

**Rating thresholds**
- >7.0%

We expect regulatory gearing to be c.70% once all three of the transactions are completed. We remain committed to a strong, overall investment grade credit rating. Combined with the benefit of our hybrid debt, we expect gearing levels, and the other standard metrics we monitor, to sit within our current BBB+/Baa1 corporate rating band.

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### Regulatory Overview

#### UK: Electricity Transmission

- Targeting 100 basis points of operational outperformance on average p.a. across RIIO-T2
- Expected c.£3bn¹ capex to be recovered through uncertainty mechanisms

**RIIO-T2 (2021-26)**
- Allowed return on equity: 4.26%
- Gearing: 55%
- Core baseline TOTEX (18/19 prices): £5.4bn
- Sharing Factor (TOTEX): 33%

**Proposed Business Plan: RIIO-ED2 (2023-28)**
- Allowed return on equity: 4.96%
- Gearing: 60%
- Core baseline TOTEX (20/21 prices): £6.7bn
- Sharing Factor (TOTEX): 50%

**Final determination: Expected December 2022**

#### 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

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

**Mass Gas (2021-26)**
- Allowed return on equity: 9.7%
- Equity to Debt: 53:47
- CAPEX: ≤$1.3bn

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

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

Note: Net debt includes 100% of hybrid debt, borrowings, associated derivatives and cash and current financial investments. Excludes amounts for net debt in N6 Gas plc which is reclassified to ‘held for sale’. Interest rate profile and currency profile are post derivatives. Currency profile reflects ultimate liability, not currency of issue.

We expect regulatory gearing to be c.70% once all three of the transactions are completed. We remain committed to a strong, overall investment grade credit rating. Combined with the benefit of our hybrid debt, we expect gearing levels, and the other standard metrics we monitor, to sit within our current BBB+/Baa1 corporate rating band.
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.

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

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

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

CASE STUDY
VENICE

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

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

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 repurposing our energy market focus.

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

£29bn 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

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.

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

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

1. Our baseline is the aggregate amount of all Scope 1 and 2 greenhouse gas emissions for our business in the relevant base year.
2. Capital expenditure considered to be aligned with the principles of the EU Taxonomy Legislation at the date of reporting and includes most electricity investment, including connecting clean sources of generation such as renewables and nuclear, as well as investment which reduces emissions in our gas networks.
3. Capital expenditure that meets the criteria in National Grid’s Green Financing Framework. This framework is used to issue Green Financing Instruments and further detail on the framework can be found here: https://www.nationalgrid.com/investors/debt-investors/green-financing.
4. Estimated investment in New England transmission excluded as it does not meet the EU Taxonomy criterion of over 67% of newly enabled generation capacity being below the 100 gCO2e/kWh threshold over a rolling five year period, on the basis that there have been no new connections to the New England transmission network within the past five years.
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 £29 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 Vision for our US networks launched</td>
<td>• £65m energy fund for families most in need of support across our US and UK businesses.</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. You can browse our latest content by visiting our dedicated Environmental, Social and Governance webpage: www.nationalgrid.com/investors/environmental-social-and-governance

Our Clean Energy Vision

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

Video: Our vision for fossil-free heat

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

[Watch the video]
## 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.**
- **People**
  - Achieve 50% diversity in our Senior Leadership group by 2025.
- **People**
  - Achieve 50% diversity in all our new talent programmes by 2025.
- **Environment**
  - We will reduce Scope 1 and 2 greenhouse gas (GHG) emissions 80% by 2030 from a 1990 baseline.
- **Environment**
  - Reduce SF6 emissions from our operations 50% by 2030 from a 1990 baseline.
- **Environment**
  - Reduce energy consumption in our offices 25% by 2030 from a 2020 baseline.
- **Environment**
  - Improve the natural environment by 10% on the land we own by 2030.

### Continuous Commitments

**Environment**
- Achieve zero carbon emissions from business air travel. From 2030 onwards, we will reduce our annual air miles traveled by at least 50% from a 2019 baseline.
- Accelerate our net zero target wherever possible.
- Continue to reinvest in energy infrastructure at approximately £5 billion each year

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

### 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.

### 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 developed by Sustainalytics. Such information and data are proprietary to Sustainalytics and/or its third party suppliers (Third Party Data) and are provided for informational purposes only. They do not constitute an endorsement of any product or project, nor an investment advice and are not warranted to be complete, timely, accurate or suitable for a particular purpose. Their use is subject to conditions available at https://www.sustainalytics.com/legal-disclaimers.

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