

# 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**.

## FY23 Investor Relations

### Upgraded 5-year outlook FY22-26

#### Capital investment



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

**c.£29bn**  
of which is **Green Capex<sup>1</sup>**,  
aligned to EU taxonomy

**Group asset growth** **8-10% CAGR<sup>2</sup>**

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

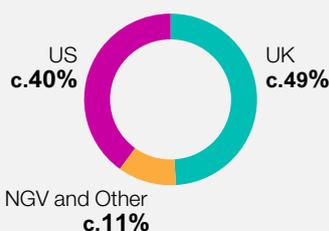
**Credit metrics** Credit metrics maintained within current rating thresholds  
Net debt to RAV in low 70% range

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

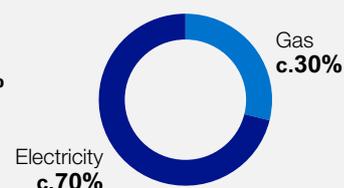
### Geographic and regulatory diversity

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

#### Geographical split



#### Energy split



1. Aligned to EU Taxonomy, directly invested into the decarbonisation of energy networks.
2. Compound annual growth rate FY2022-26 from FY21 baseline. Forward years based on assumed USD FX rate of 1.2; long run CPIH and RPI inflation assumptions and scrip uptake of 25%. Reflects sale of Rhode Island and 60% stake in UK Gas Transmission & Metering (UK GT&M).
3. Calculated as proportion of actual FY23 asset base post completion of acquisition of Western Power Distribution, and sale of Rhode Island business and majority stake in UK Gas Transmission and Metering.

## Highlights

### Group financial summary full year ended 31 March 2023

Underlying results

Operating profit  
**£4,582m ↑10%**  
FY22: **£4,171m**

Underlying EPS  
**69.7p ↑7%**  
FY22: **65.3p**

Dividend growth  
**55.44p ↑8.77%**  
FY22: **50.97p**

Capital investment  
**£7,740m ↑8%**  
FY22: **£7,188m**

Underlying results from continuing operations excluding exceptional items, remeasurements, major storm costs (when greater than \$100m), timing and the contribution from UK Gas Transmission and Metering

Capital investment includes investment in NECO, JVs and NG Partners Investments (excluding equity contributions to St William property JV).

Operating profit and capital investment calculated at constant currency.

- **Record capital investment** with £7.7bn invested in clean, smart energy infrastructure and maintaining world class reliability across our networks. Green capex of £5.6bn, 75% of total capital expenditure, aligned to EU Taxonomy.
- **Good financial results** reflecting a full year of earnings from UK Electricity Distribution; good operational performance across our US regulated businesses; and higher contribution from National Grid Ventures.
- **Successful completion of strategic pivot.** WPD, acquired in June 2021, rebranded as National Grid UK Electricity Distribution. Rhode Island business sale completed in May 2022. Sale of 60% stake in UK Gas Transmission and Metering completed in January 2023.
- **Supporting our Customers and Communities** with £65m Energy Support Fund, and early return of £100m of interconnector revenues, in addition to £200m previously announced.

# Financial performance

## Underlying Segmental Summary – FY23

### UK Electricity Transmission

Operating profit  
**£1,107m** ↓4%  
 FY22: £1,152m

### UK Electricity Distribution

Operating profit  
**£1,230m** ↑39%  
 FY22: £887m

FY23 includes a full twelve months contribution

### UK Gas Transmission

Operating profit  
**£702m** ↓4%  
 FY22: £734m

60% stake  
 sale completed January 2023

40% stake  
 now reported as Held for Sale

### New York

Operating profit  
**£874m** ↑12%  
 FY22: £783m

### New England

Operating profit  
**£819m** ↓17%  
 FY22: £982m

FY23 includes 2 months contribution from Rhode Island business

### NGV and Other

Operating profit  
**£521m** ↑66%  
 FY22: £313m

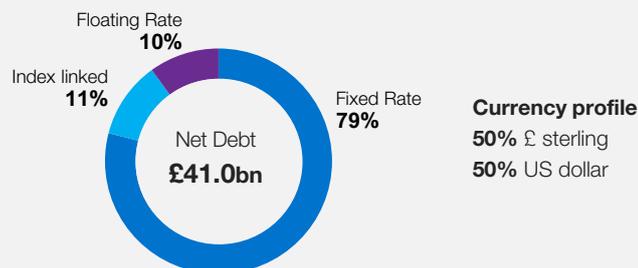
### JVs post tax share

**£190m** ↑25%  
 FY22: £152m

**Note:** Underlying results from continuing operations excluding exceptional items, major storms (when greater than \$100m), remeasurements and timing. Operating profit presented at constant currency.

## Balance Sheet

Net debt profile as of 31 March 2023:



**Note:** Net debt includes 100% of hybrid debt, borrowings, associated derivatives and cash and current financial investments. Interest rate profile and currency profile are post derivatives. Currency profile reflects ultimate liability, not currency of issue.

	FY23	Rating thresholds
<b>Moody's RCF / Adjusted Debt</b>	<b>9.3%</b>	<b>&gt;7.0%</b>
<b>Moody's FFO Interest Cover</b>	<b>3.8x</b>	<b>N/A</b>

Following the completion of all three transactions, for the remainder of our five year financial frame we expect regulatory gearing to remain in the low 70% range. 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.

## Regulatory Overview

### UK: Electricity Transmission

Targeting 100 basis points of operational outperformance per year on average across RIIO-T2

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

Allowed return on equity	<b>4.91%</b> <sup>1</sup>
Gearing	<b>55%</b>
Capex	<b>c.£9bn</b>
Sharing Factor (Totex)	<b>33%</b>

### UK: Electricity Distribution

**Final determination:** Published December 2022, for April 2023 – March 2028

**Investor Event:** 6<sup>th</sup> July, London

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

Allowed return on equity	<b>5.23%</b>
Gearing	<b>60%</b>
Core baseline Totex (20/21 prices)	<b>£5.9bn</b>
Sharing Factor (Totex)	<b>50%</b>

### US: New York

Rate agreements for KEDNY-KEDLI<sup>2</sup> and NIMO approved in 2021 and 2022 respectively

#### KEDNY- KEDLI (2020-23<sup>3</sup>)

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

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

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

### US: New England

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

#### Mass Gas (2021-26)

Allowed return on equity	<b>9.7%</b>
Equity to Debt	<b>53:47</b>
Capex	<b>c.\$1.3bn</b>

#### Mass Electric (2019-24)

Allowed return on equity	<b>9.6%</b>
Equity to Debt	<b>53:47</b>
Capex	<b>c.\$1.5bn</b>

1. Allowed ROE FY24 which is updated each year with changes to the risk-free rate

2. KEDY-KEDLI rates filed in May 2023

3. backdated to 2020

# The Energy Transition Company

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

## 01 Deliver for our customers efficiently

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

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

- We have implemented more than **\$2.3bn** in energy efficiency measures across New York and Massachusetts over the last 4 years
- In the UK we are returning **£300m** 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

#### £65 million energy support fund

In November 2022, we pledged £50 million in the UK and \$17 million in the US to provide assistance to some of the hardest-hit households this winter and next.

In the UK, we have now allocated nearly £24 million of our energy support fund to help 30,000 households through the energy crisis.

In the US we have launched our customer assistance programme, contributing \$6 million so far, to help support vulnerable households.

In addition, we donated \$1 million to assist Buffalo customers and communities after the Winter Storm Elliot event in December.

## 02 Enabling the energy transition for all

We have set out medium and long-term targets to reduce our own Scope 1 & 2 emissions, as well as our Scope 3 emissions:

**Scope 1 & 2** by 80%\* by 2030  
by 90%\* by 2040

**Scope 3** by 37.5%\* by 2034

\*From a 1990 baseline

**Scope 1, 2 & 3** to **NET ZERO** by 2050

**We have 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<sup>2</sup> in decarbonisation of energy systems.

## 03 Grow our organisational capability

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

## 04 Empower our people for great performance

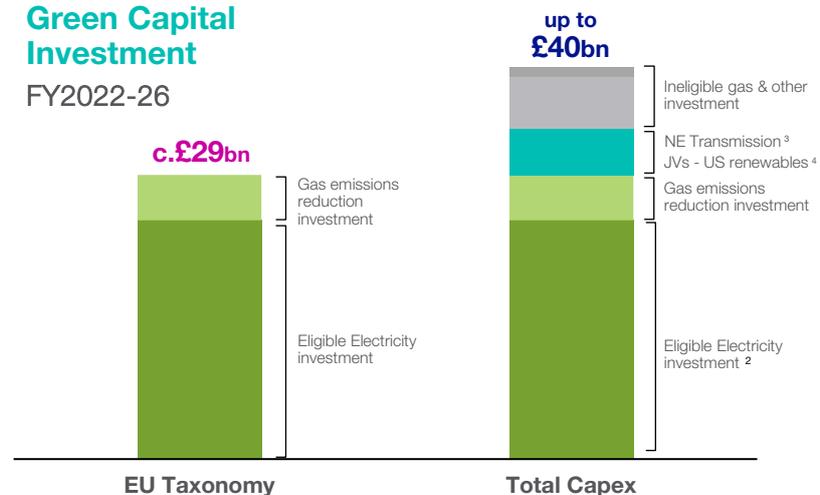
We are building diverse and inclusive teams that reflect the communities we serve, attracting the best talent and recognising great achievements.

We are 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.

We are supporting women return to careers through our STEM Returners partnership. These professionals are often subjected to barriers and unconscious bias when returning to a STEM career after a period of absence.

### Green Capital Investment

FY2022-26



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

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

# ESG and Responsible Business Charter

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

Environment	Communities	People	Economy	Governance
<ul style="list-style-type: none"><li>• Building on our role as a Principal Partner of COP26, we participated in COP27 in November 2022</li><li>• Clean Energy Vision for our US networks launched</li><li>• Good progress on our Viking Link interconnector to Denmark - 75% cable laid</li></ul>	<ul style="list-style-type: none"><li>• Reliability of over 99.9% across our networks</li><li>• £65m energy support fund for families most in need of support across US and UK</li><li>• We have announced the early return of £100m of interconnector revenues, in addition to £200m previously announced</li></ul>	<ul style="list-style-type: none"><li>• 'Stand Up For Safety' campaign launched as a core element of our new safety strategy</li><li>• We are a Living Wage Foundation employer in the UK and in the US all colleagues are paid above the statutory minimum</li><li>• Diversity, equality and inclusion remains top of our priorities</li></ul>	<ul style="list-style-type: none"><li>• c.£29 billion of investment in our five-year financial framework aligned to new EU Taxonomy for sustainable activities</li><li>• Investments supporting world-class network reliability, security of supply and the energy transition</li></ul>	<ul style="list-style-type: none"><li>• Delivering against our Climate Transition Plan and reporting progress against it annually in our TCFD report</li><li>• Our ongoing work with regulators and politicians is helping define clean energy roadmaps to 2050</li></ul>

## Our 'Grid Guide to' ESG Investor Series

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



### Grid Guide to... Enabling EVs and modernising our networks in Massachusetts

March 2023: Our New England business President, Steven Woerner is joined by his colleagues, Jake Navarro – Director of Clean Transportation and Bill Jones – Director of Grid Modernisation to discuss our recently approved funding for electric vehicle infrastructure and network modernisation. Listen now to find out more details, including what this means for the state's climate ambitions, our customers and communities.

[Listen to podcast](#)

## Our Clean Energy Vision

National Grid's vision is to fully eliminate fossil fuels from our US gas networks, 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](http://www.nationalgrid.com/us/fossilfree)

### Video: Our vision for fossil-free heat

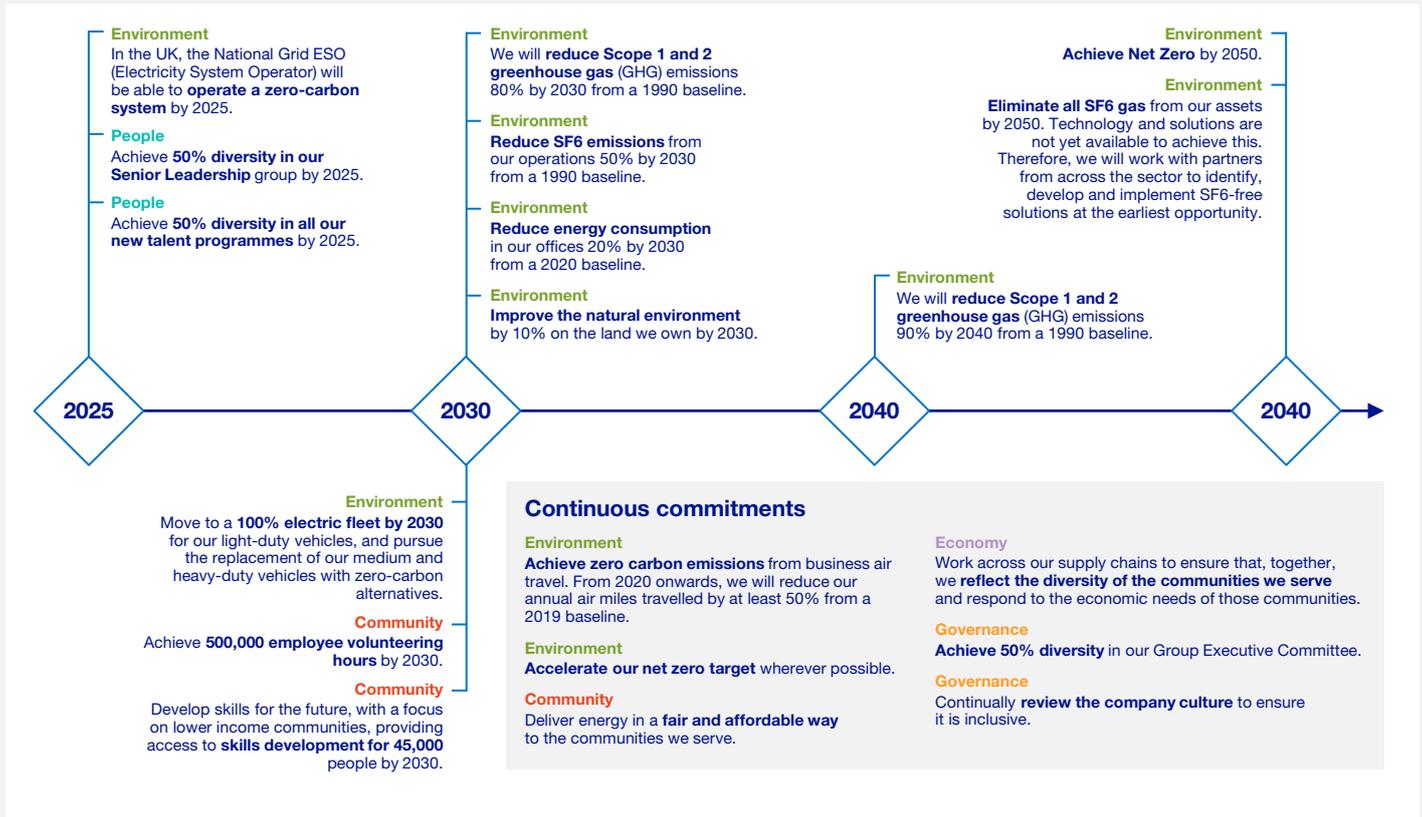
Our vision for fossil-free heat addresses climate change while ensuring affordable, reliable service to all our customers. Watch this video to learn more about how we plan to make our vision of a clean energy future a reality.

[Watch the video](#)



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

# Timeline of our Commitments



## Awards and recognition

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

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

**Bloomberg Gender-Equality Index 2022**  
Became a constituent of the 2023 Bloomberg Gender-Equality Index

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

**SUSTAINALYTICS\***  
a Morningstar company  
**RATED**  
Awarded score of 22/100 (lower the score, the better) in relation to experiencing material impacts from ESG and a strong score for management of these

**MSCI ESG RATINGS**  
AAA  
Maintained 'AAA' ESG rating for the sixth consecutive year.

**FTSE4Good**  
Remained a constituent of the FTSE4Good Index

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

**National Grid**  
Top 10 Globally for gender equality in 2022  
**EQUILEAP**

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

\*Copyright ©2021 Sustainalytics. All rights reserved. This [publication/ article/ section] contains information developed by Sustainalytics (www.sustainalytics.com). Such information and data are proprietary of 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>.

^The use by National Grid of any MSCI ESG Research LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of National Grid by MSCI. MSCI services and data are the property of MSCI or its information providers and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI

### 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', '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 as full an 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 253 to 256 of National Grid's most recent Annual Report and Accounts for the year ended 31 March 2022, as updated by National Grid's unaudited half-year financial information for the six months ended 30 September 2022, published on 10 November 2022. Copies of the most recent Annual Report and Accounts are available online at [www.nationalgrid.com](http://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.

## Further information

**Nick Ashworth**

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

**Daniel Evans**

Investor Relations Analyst  
M +44 (0) 7593 598 877  
Daniel.evans1@nationalgrid.com

**Angela Broad**

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

**Alexandra Bateman**

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

**James Flanagan**

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

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