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

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

Credit metrics

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

Dividend

- Aim to grow annual dividend per share in line with UK CPIH

Geographic and regulatory diversity

Asset base post strategic repositioning

Geographical split

- US c.40%
- UK c.49%
- NGV and Other c.11%

Energy split

- Gas c.30%
- Electricity c.70%

FY23 Highlights

Group financial summary full year ended 31 March 2023

Underlying results

<table>
<thead>
<tr>
<th>Operating profit</th>
<th>Underlying EPS</th>
<th>Dividend growth</th>
<th>Capital investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>£4,582m</td>
<td>69.7p</td>
<td>55.44p</td>
<td>£7,740m</td>
</tr>
</tbody>
</table>

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.
- 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

**New York**
- Operating profit: £874m, +12%
- FY22: £783m

**UK Electricity Distribution**
- Operating profit: £1,230m, +39%
- FY22: £887m

**New England**
- Operating profit: £819m, -17%
- FY22: £982m

**UK Gas Transmission**
- Operating profit: £702m, -4%
- FY22: £734m

**NGV and Other**
- Operating profit: £521m, +66%
- FY22: £313m

**JVs post tax share**
- Operating profit: £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.

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.

Balance Sheet

**Net debt profile** as of 31 March 2023:

- Fixed Rate: 79%
- Currency profile: 50% £ sterling, 50% US dollar
- Floating Rate: 10%
- Index linked: 11%

Net Debt: £41.0bn

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.

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: 5.01%
  - Gearing: 55%
  - Capex: £3bn
  - Sharing Factor (Totex): 33%

**UK: Electricity Distribution**
- Targeting 100-125 basis points of operational outperformance per year on average across RIIO-ED2
- RIIO-ED2 (2023-28)
  - Allowed return on equity: 5.23%
  - Gearing: 60%
  - Core baseline Totex (20/21 prices): £5.9bn
  - Sharing Factor (Totex): 50%

**US: New York**
- Rate agreements for KEDNY-KEDLI and NIMO approved in 2021 and 2022 respectively
- KEDNY- KEDLI (2020-23)
  - Allowed return on equity: 8.8%
  - Equity to Debt: 48:52
  - Capex: £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: £1.3bn

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

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.

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

1. Allowed ROE FY24 which is updated each year with changes to the risk-free rate
2. KEDNY-KEDLI rate filing made in April 2023
3. Backdated to 2020 and includes 1 year extension to 2024
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 revised our near-term emissions targets, aligning the Group to a 1.5°C degrees pathway, verified by SBTi. We remain committed to delivering net-zero by 2050.

**Scope 1 & 2**

by **60%* by 2030**

**Scope 3**

by **37.5%* by 2034**

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

* From a 2018/19 baseline

We have reduced our Scope 1 & 2 emissions by almost 70% through investment, technology development and repurposing our energy market focus. Over the next 5 years we’re committed to investing:

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

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.

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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 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 refreshed Responsible Business Charter, continues to articulate what ‘responsibility’ means for us. Following extensive stakeholder engagement, in July 2023 we updated our Charter to focus on 3 core pillars; Our Environment, Our Customers and Communities, and Our People. These pillars are underpinned by our Responsible Business fundamentals, and previous pillars of Economy and Governance are now embedded within these new focused areas.

Performance Highlights 22/23

<table>
<thead>
<tr>
<th>Our Environment</th>
<th>Our Communities &amp; Communities</th>
<th>Our People</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Building on our role as a Principal Partner of COP26, we participated in COP27 in November 2022</td>
<td>• Reliability of over 99.99% across our networks</td>
<td>• “Stand Up For Safety” campaign launched as a core element of our new safety strategy</td>
</tr>
<tr>
<td>• Clean Energy Vision for our US networks launched</td>
<td>• £65m energy support fund for families most in need of support across US and UK</td>
<td>• We are a Living Wage Foundation employer in the UK and in the US all colleagues are paid above the statutory minimum</td>
</tr>
<tr>
<td>• Good progress on our Viking Link interconnector to Denmark - 75% cable laid</td>
<td>• We have announced the early return of £100m of interconnector revenues, in addition to £200m previously announced</td>
<td>• Diversity, equality and inclusion remains top of our priorities, as demonstrated by our updated executive remuneration policy which increases focus on ESG</td>
</tr>
<tr>
<td>• Maintained our CDP Climate Change ‘A list’ rating for the 7th consecutive year</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For additional detail on our 2022/23 ESG performance please refer to our Responsible Business Report.

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.

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 energy 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

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
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 2022

Bloomberg Gender Equality Index
Became a constituent of the 2023 Bloomberg Gender Equality Index

CDP
Maintained our CDP Climate Change ‘A list’ rating (the Highest) for the seventh consecutive year

Sustainalytics
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” ESG rating for the sixth consecutive year

FTSE4Good
Remained a constituent of the FTSE4Good Index

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

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

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 225 to 228 of National Grid’s most recent Annual Report and Accounts for the year ended 31 March 2023, as updated by National Grid’s unaudited half-year financial information for the following six month period. Copies of the most recent Annual Report and Accounts are available online at www.nationalgrid.com or from Equinit 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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