Debt Investor Presentation
July 2021
Agenda

1. Our RIIO-ED1 vision
2. Performance review
3. Key Developments
4. Delivering in RIIO-ED1 and view on RIIO-ED2
5. Environmental, Social & Governance
6. Green Bond Framework Overview
7. Capital structure and Treasury policy
8. Conclusion
1. OUR RIIO-ED1 VISION
Our Business Vision and Values

An employer of choice
- The safest – with an exemplary safety record
- An organisation that employees are proud to work for
- Embracing diversity
- A highly skilled and healthy workforce for both today and the long term

A respected and trusted corporate citizen
- The most reliable networks
- The most satisfied customers
- The most innovative
- The most socially and environmentally responsible
- Ensure we meet the needs of our customers in vulnerable circumstances, both now and in the future
- Enable the net zero transition for all
- The leading UK Distribution System Operator
- Our supply chain will be efficient, sustainable and ethical

Sustainably cost efficient
- Be the lowest cost electricity distributor for our customers
- Deliver on our commitments in a collaborative way
- Deliver profitable growth in our Services and Connections businesses

To be consistently the best-performing Distribution Network Operator in the UK within an agreed set of values

Performance focused within a set of values:
Integrity - Respect - Continuous Improvement - Responsibility - Unity - Diversity and Inclusiveness
2. PERFORMANCE REVIEW
Employer of Choice Performance

- Our safety performance has been the best across the GB DNOs over the first five years of RIIO-ED1
- We have seen an increase in Lost Time Injuries in 2020/21
  - We have introduced a programme to ensure focus remains on operational safety as well as COVID safety
- In 2020 UK Power Networks was ranked 6th and achieved its highest ever score of 768 in the Best Companies survey
  - This is a 7% improvement on last year and places us as a 3 star company, the highest rating
- Achieved Platinum accreditation from Investors in People

 Improvement in the frequency rate of Lost Time Incidents since 2010/11

- Number of LTI incidents (employees and contractors)
- LTI Accident frequency rates (per 100,000 hours worked)
Respected and Trusted Corporate Citizen: Quality of Supply Performance

- In 2020/21 CIs and CMLs were 34% and 39% better than the Ofgem target
- Our 2020/21 CML performance is our best ever
- In 2020/21 we forecast to earn £51.3m of IIS revenue
- This is 92% of the available incentive revenue (£55.9m)
  - EPN and LPN will earn 100% of the available revenue
Respected and Trusted Corporate Citizen - Customer Service Performance

- Our Customer Service performance continues to improve

- Our 2020/21 average Broad Measure score of 9.3 was our best ever and places us as the No.1 DNO for the first time

- We expect to earn £18.2m in incentive revenue from Broad Measure (BMoCS) in 2020/21 (including stakeholder engagement of £5.5m) – this is 95% of the available incentive revenue (£19.1m)
  - All networks will earn 100% of the customer satisfaction survey element of the scheme
Sustainably Cost Efficient - Cost Performance

- Our cumulative totex outperformance over the first six years of RIIO-ED1 was 14%.

- We expect to deliver the highest totex outperformance across all DNOs.

- Our output delivery is on track:
  - Health index delivery over the first five years. We expect the cumulative six year performance to be 79% compared to a straight line target of 75%.
3. KEY DEVELOPMENTS
Significant changes in Government policy are driving faster decarbonisation

- Announcement of the Ten Point Plan, a series of ten commitments supporting a green industrial revolution. The policy around Electric Vehicles (EVs) could lead to an additional 2.3m EVs on our network by 2035.

- Energy White Paper, following the Ten Point Plan, sets out the Government’s policies and commitments to reach net zero. This includes the ambition to install 600,000 heat pumps a year by 2028, roughly one third of which would be in UKPN’s licence area.

- In its Sixth Carbon Budget, the Climate Change Committee (CCC) recommended a “Balanced Pathway” scenario to achieve net zero by 2050. The pathway is actually less ambitious than current EV policy, but more ambitious regarding heat policy.
The Electricity System Operator and the DNOs have agreed on a common future energy scenario framework.

Four scenario worlds in Distribution Future Energy Scenarios (DFES)

The DFES are a series of geographically specific forecasts designed to help outline different, plausible pathways for the future of energy out to 2050.
We expect significant deployment of Low Carbon Technologies by 2030 under these scenarios.

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Steady Progression</th>
<th>System Transformation</th>
<th>Consumer Transformation</th>
<th>Leading the Way</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net-Zero by 2050?</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Low-carbon gas grid?</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Electric cars and vans in 2030</td>
<td>2.6 million</td>
<td>4.5 million</td>
<td>4.5 million</td>
<td>4.0 million</td>
</tr>
<tr>
<td>Homes with heat pumps in 2030</td>
<td>320,000</td>
<td>445,000</td>
<td>712,000</td>
<td>1,245,000</td>
</tr>
<tr>
<td>Homes with solar panels in 2030</td>
<td>195,000</td>
<td>248,000</td>
<td>397,000</td>
<td>248,000</td>
</tr>
<tr>
<td>Battery capacity in 2030</td>
<td>1.3 GW</td>
<td>2.7 GW</td>
<td>4.8 GW</td>
<td>4.1 GW</td>
</tr>
<tr>
<td>Total renewable generation in 2030</td>
<td>6.1 GW</td>
<td>7.2 GW</td>
<td>8.1 GW</td>
<td>8.6 GW</td>
</tr>
</tbody>
</table>
The level of expenditure required in RIIO-ED2 will be dependent on the rate of decarbonisation.

- We have modelled the financial impact of a range of possible decarbonisation scenarios.
- Our initial Business Plan Submission is based on the Consumer Transformation scenario.
- We have proposed a range of uncertainty mechanisms that would allow us to flex between scenarios during the RIIO-ED2 period.
4. DELIVERING IN RIIO-ED1 AND VIEW ON RIIO-ED2
Different Approaches

We believe the best performing DNO group should be in the lower right hand corner.
Comparative DNO Group Totex Analysis

<table>
<thead>
<tr>
<th>Cumulative to date* (15/16 to 19/20)</th>
<th>ED1 to date Allowance</th>
<th>ED1 to date Actuals</th>
<th>Over/(Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DNO Group</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>ENWL</td>
<td>1,152</td>
<td>1,097</td>
<td>(55)</td>
</tr>
<tr>
<td>NPG</td>
<td>1,996</td>
<td>1,921</td>
<td>(75)</td>
</tr>
<tr>
<td>WPD</td>
<td>4,400</td>
<td>4,334</td>
<td>(67)</td>
</tr>
<tr>
<td>UKPN</td>
<td>3,942</td>
<td>3,366</td>
<td>(576)</td>
</tr>
<tr>
<td>SP</td>
<td>2,128</td>
<td>2,195</td>
<td>67</td>
</tr>
<tr>
<td>SSE</td>
<td>2,349</td>
<td>2,160</td>
<td>(189)</td>
</tr>
</tbody>
</table>

* All figures are in 2012/13 prices

UK Power Networks has the highest totex outperformance to date while delivering all the required outputs.
Comparative DNO Group Incentive Revenue Analysis – First Five Years of RIIO-ED1

<table>
<thead>
<tr>
<th>DNO group</th>
<th>IIS</th>
<th>BMCS</th>
<th>Stakeholder engagement</th>
<th>ATTQ/C</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENWL</td>
<td>85%</td>
<td>32%</td>
<td>99%</td>
<td>38%</td>
<td>74%</td>
</tr>
<tr>
<td>NPG</td>
<td>89%</td>
<td>57%</td>
<td>31%</td>
<td>57%</td>
<td>78%</td>
</tr>
<tr>
<td>WPD</td>
<td>75%</td>
<td>93%</td>
<td>92%</td>
<td>74%</td>
<td>79%</td>
</tr>
<tr>
<td>UKPN</td>
<td>91%</td>
<td>61%</td>
<td>49%</td>
<td>74%</td>
<td>82%</td>
</tr>
<tr>
<td>SP</td>
<td>37%</td>
<td>77%</td>
<td>53%</td>
<td>52%</td>
<td>46%</td>
</tr>
<tr>
<td>SSE</td>
<td>33%</td>
<td>48%</td>
<td>84%</td>
<td>24%</td>
<td>38%</td>
</tr>
</tbody>
</table>

UK Power Networks has achieved the highest % of available incentive revenue to date
We are the best performing DNO group over the first five years of RIIO-ED1
Overall, the SSMD has more in keeping with a consultation document than with a decision document. A number of decisions have been deferred until later in the process. Where Ofgem has made decisions they typically confirm the position adopted in the Sector Specific Methodology Consultation (SSMC).

**Finance**

Cost of Debt working assumptions is positive if maintained for Draft Determinations. Cost of equity working assumption is as expected given CMA appeal.

**Incentives**

Environmental Scorecard and DSO are confirmed as new incentives although without any information on size. The scale of others remains similar to the SSMC, although the approach has changed for some.

**BPI**

The operation of the Business Plan Incentive (BPI) is largely as expected. However, Ofgem has made it easier to earn BPI rewards.

**Uncertainty**

Ofgem have left the decision on key Uncertainty Mechanisms to future consultation, or through the Draft Determinations. On Strategic Investment, Ofgem’s initial focus is on a Capacity Volume Driver / Utilisation Metric, in line with our position.

**Scenarios**

Ofgem position is that companies RIIO-ED2 forecasts should be informed by National Grid Future Energy scenarios and Climate Change Committee Sixth carbon Budget scenarios. Local variations are allowed if need is evidenced.
CMA PR19 and RIIO-2 appeals

• CMA have taken a materially different position on both the cost of equity and financeability to Ofwat and Ofgem
  – CMA are using returns on AAA bonds as well as gilts in determining the Risk Free Rate
  – CMA is aiming up from its cost of equity range midpoint by 25 bps
    – Ofgem’s outperformance wedge effectively aims down by 25 bps
  – CMA see the WACC as the main driver of financeability and do not see adjustments to capitalisation and/or depreciation rates as valid financeability levers

• Scope of RIIO-2 appeal broadly as expected
  – We expect the CMA to maintain its position on the cost of equity and financeability
  – In addition to cost of equity outperformance wedge, benchmarking approach and ongoing efficiency key issues for RIIO-ED2 as well
    • Company statement of cases are strong in these areas
  – We would expect Ofgem to incorporate RIIO-2 outcomes in RIIO-ED2 draft determination
5. ENVIRONMENTAL, SOCIAL & GOVERNANCE
The Board of Directors of UK Power Networks is responsible for agreeing strategy, overseeing performance and discharging certain legal responsibilities.

The Board delegates day-to-day responsibility for running the group to the UK Power Networks Executive Management Team, with specialist tasks passed to various Board committees.

Corporate Governance Code:
- The group has adopted the Wates Corporate Governance Principles for Large Private Companies, as issued by the Financial Reporting Council (“FRC”), 2018.
- The Group operates a range of governance principles and practices on a group-wide basis, which are adopted and implemented by its subsidiaries to the extent they are relevant to their operations.
Environmental governance is provided by our Health, Safety and Environment Committee, which is chaired by our CEO.

This is cascaded through the organisation via local and business Health, Safety and Environment Committees.

Our Environmental Management System meets the ISO 14001:2015 standard requirements and is subject to external verification and audit by DNV-GL.

We consult with stakeholders, including statutory authorities and other appropriate bodies, to help mitigate the impact of our operations on the environment.

At a local level, we seek to build good relationships with local authorities and work collaboratively on initiatives to help reduce the impact of issues such as noise pollution and litter, which can be a source of concern for local communities.

We also work with the industry to identify areas of best practice and ensure continuous improvement. Members of our Environment team represent UK Power Networks on the Electricity Networks Association (ENA) Environment Committee.
Delivering a sustainable energy future for all

The greatest contribution towards sustainability that UK Power Networks makes is our crucial role in supporting the UK’s commitment to ending the country’s impact on **global warming by 2050**.

A huge focus of our **innovation** is on finding ways to reduce the environmental impact of the power we deliver.

We have ambitious plans to reduce the environmental impact of our own operations that we will deliver through our **Green Action Plan**.

Power Assets Holdings is rated AA by Hang Seng Sustainability Index - UKPN key contributor to rating submission

**Green Action Plan targets**

- **Carbon Trust Standard – accreditation**
  - Reduction in CO₂ emissions, waste and water usage, to meet the Carbon Trust Standard Initiative by December 2021. (Carbon element achieved in December 2019)

- **Water**
  - 10 – 15% reduction on existing water usage by December 2021 at our top six largest sites (Fore Hamlet, Bury, Newington, Bidder Street, Maidstone and Energy House). (Feeds into Carbon Trust Standard accreditation.)

- **Biodiversity**
  - Increase in biodiversity potential by 20 – 30% at 100 sites by December 2021.

- **Pollution – Fleet**
  - Work towards reducing nitrous oxide emissions from our fleet by 33% by December 2030.

- **Pollution – Generators**
  - Work towards reducing nitrous oxide emissions from generators by 33% by December 2030.

- **Energy**
  - Reduce building energy use by 10% by December 2021 at our top six largest sites. (Feeds into Carbon Trust Standard accreditation.)

- **Noise**
  - Work with local authority planning departments, to mitigate risk of noise from our network on planned developments.

- **Procurement**
  - Reduce packaging and transportation across our supply chains. Adopt a circular or semi-circular approach to procurement.

**Ranked 1st** in the UK and Europe and 2nd globally in the Smart Grid Index

**3.6m** Forecast number of plug-in electric vehicles across UK Power Networks’ area of operation by 2030

**2019 Winner** of the Edison Electric Institute (EEI) International Edison Award for our leading role in enabling decarbonisation

**26% reduction** in our Business Carbon Footprint since the baseline year of 2014/15

**15,900** fewer tonnes of CO₂ produced since 2014/15, equivalent to more than 7,000 London – New York flights

**1st DNO** to achieve the verified Science-Based Target Initiative (SBTI)
# Achieving Net Zero and Environmental Action Plan Overview

## Strategic goals

<table>
<thead>
<tr>
<th>Commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Decarbonisation in line with a Science Based Target to avoid irreversible damage to the environment</strong></td>
</tr>
<tr>
<td>Science Based Target for our full carbon footprint at well below 2°C</td>
</tr>
<tr>
<td>Reduce directly controllable emissions (scope 1 and 2 excl. losses) to Net Zero by 2028</td>
</tr>
<tr>
<td>Reduce supply chain carbon emissions (scope 3) by 25% by 2028</td>
</tr>
</tbody>
</table>

## Commitments

| **Reduce our impact on the world’s limited resources** |
| Develop and implement a circular economy tool to address our high impact materials by 2024 |
| No recoverable waste to landfill by 2023, Re-use 99.5% of street works waste and recycle 80% of office, depot & network waste by 2028 |

| **Reduce pollution produced by our business operations and network activity** |
| Reduce NOx emissions by 33% over the ED2 period |
| Reduce leaks from Fluid Filled Cables by 10% over the ED2 period |

| **Increase natural diversity** |
| Increase biodiversity of new major substation developments by a net gain of 10-20% and at 100 existing sites by 30% overall |
6. GREEN BOND FRAMEWORK OVERVIEW
The ‘UKPN Green Bond Framework’ has been developed in accordance with the Green Bond Principles (2021) as published by the International Capital Market Association (ICMA).

DNV has provided a Second Party Opinion (SPO).

UK Power Networks asserts that it will adopt the following, as set out in this Framework:

1) Use of Proceeds

An amount equivalent to the net proceeds raised from any UK Power Networks Green Bond issued under this Framework will be allocated, in part or in full, to finance ‘Eligible Green Projects’

2) Project Evaluation and Selection

UKPN will establish a Green Financing Committee. The Committee will meet on a semi-annual basis

3) Management of Proceeds

UKPN will establish a Green Bond Register which will be reviewed annually by the Green Financing Committee. Proceeds allocated to projects at most 3 years prior to the issuance. Proceeds will be allocated within 3 years from issuance

4) Reporting

Impact and allocation reporting where feasible will be provided annually and made available publicly on the UKPN website
1) Use of Proceeds

An amount equivalent to the net proceeds raised from any UK Power Networks Green Bond issued under this Green Bond Framework will be allocated, in part or in full, to finance the following ‘Eligible Green Projects’

<table>
<thead>
<tr>
<th>Green Category</th>
<th>Eligibility Criteria</th>
<th>UN SDG Targets</th>
</tr>
</thead>
</table>
| Renewable energy                                    | • Investment in electricity distribution networks dedicated to:  
  o Connecting to renewable energy sources, such as solar, wind or small hydro  
  o Capacity and grid reinforcement for heat decarbonisation  
  o Creating a direct connection, or expanding an existing direct connection between a power production plant that is less CO2 intensive than 100g CO2e/kWh  
  o On site renewable generation for our own operational consumption | ![Energy Efficiency](/images/solar.png) |
| Energy efficiency                                   | • Investments in technologies / infrastructure that result in increased energy-efficiency by at least 30% and/or reduce electricity grid losses including:  
  o Retrofits: replacements and/or improvements to reduce energy losses  
  o Smart Equipment: devices and/or infrastructure allowing for energy efficiency, reliability, resiliency, and/or exchange of Renewable electricity between users (i.e. Smart Meters)  
  o Non SF6 switchgear technology | ![Energy Efficiency](/images/solar.png) |
| Pollution prevention and control                   | • Investments in waste prevention, collection and recycling including but not limited to:  
  o Removal of polychlorinated biphenyl (PCB) from the network  
  o Investments in mobile generators to reduce NOx  
  o Infrastructure improvements to prevent oil leaks from fluid filled cables and transformers  
  • Circular economy initiatives, adapted products, production, technologies and processes (such as the design and introduction of reusable, recyclable and refurbished materials, components and products; circular tools and services); and/or certified eco-efficient products | ![Pollution Prevention](/images/greenhouse.png) |
| Green buildings                                     | • Acquisition or construction of existing or new commercial buildings that have achieved or expect to achieve the below certification:  
  BREEAM ≥ “Very Good” or LEED: ≥ “Gold” NABERS, or similar recognized standard  
  • Renovations of existing buildings that achieve energy savings of at least 30% | ![Green Buildings](/images/greenhouse.png) |
| Climate change adaptation                           | • Projects aimed at enhancing the protection of distribution networks from the impacts of climate change  
  • Projects that protect the overhead lines network from extreme weather events caused by climate change | ![Climate Change](/images/greenhouse.png) |
| Environmentally Sustainable Management of Living Natural Resources and Land Use | • Investment on projects that would reduce the impact on land and terrestrial biodiversity, such as:  
  o The sustainable management and value enhancement of our land  
  o Biodiversity net gain improvements  
  o Terrestrial and aquatic biodiversity conservation and the preservation and restoration of natural landscapes  
  o Grid improvements including removing and undergrounding overhead power lines  
  o Purchase of environmentally certified products | ![Environmentally Sustainable](/images/greenhouse.png) |
| Clean Transportation                                | • Investments in infrastructure for clean transportation: construction, development, operation, acquisition and/or maintenance of electric grid infrastructure supporting sustainable mobility and cleaner vehicles with a lower environmental impact, including:  
  • Electric vehicle infrastructure including charging stations, Transmission and Distribution systems and facilities supporting clean transportation, such as network extensions or capacity upgrades  
  • Renewal of fleet, including passenger cars, light commercial vehicles and large vehicles for Electric vehicles or vehicles with zero tailpipe emissions and Low Carbon vehicles (<50g CO2/km) | ![Clean Transportation](/images/greenhouse.png) |
2 & 3) Project Selection and Evaluation and Management of Proceeds

UK Power Networks will establish a **Green Financing Committee**, which will be made up of representatives from the below departments:

- Treasury
- Finance
- Health, Safety and Sustainability
- Asset Management

The **Green Financing Committee** will meet on a semi-annual basis to:

- **Review** the project list and assess project eligibility for Green Bond
- **Monitor** that Green Bond proceeds are utilised in accordance with the Framework
- **Review the allocation** of the proceeds to the Eligible Use of Proceeds and determine if any changes are necessary
- **Oversee** the collection of information required to produce periodic Green Bond Reports, in accordance with the Framework and the GBP

✓ Unallocated proceeds will be held in line with UK Power Networks’ **general liquidity guidelines**

✓ To manage the proceeds of UK Power Networks’ Green Bonds, UK Power Networks will establish a **Green Bond Register** which will be reviewed annually by the Green Financing Committee.

✓ Proceeds will be allocated to eligible projects originated no more than 3 years prior to the issuance. The proceeds will be allocated within three years from the date of issuance.
4) Reporting

On an annual basis, UK Power Networks will produce an allocation and impact report on its eligible projects portfolio, where feasible.

**Allocation Reporting**

The information on the eligible projects portfolio will include the following details:

- The total amount of proceeds allocated to the eligible projects
- Breakdown of allocation by project category
- Refinancing versus new financing
- The balance of unallocated proceeds

**Impact Reporting**

Where feasible, UK Power Networks will produce reporting on relevant potential impact metrics for eligible projects.

Case studies or project summaries may also be provided, where relevant.

### Green Category

<table>
<thead>
<tr>
<th>Potential Impact Reporting Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Renewable Energy</strong></td>
</tr>
<tr>
<td>Capacity and number of Low Carbon Technologies connected to our networks (in MW)</td>
</tr>
<tr>
<td>Added Renewables Capacity (versus previous year) MW</td>
</tr>
<tr>
<td>Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent (tCO2e)</td>
</tr>
<tr>
<td>Annual GHG emissions reduced/avoided (tCO2e)</td>
</tr>
<tr>
<td>Cumulative Network loss reduction</td>
</tr>
<tr>
<td>Number of Smart grid components installed (such as smart meters)</td>
</tr>
<tr>
<td>Energy efficiency gains in MWh or % versus baseline</td>
</tr>
<tr>
<td>Annual GHG emissions reduced/avoided (tCO2e)</td>
</tr>
<tr>
<td>Annual energy savings (MWh pa)</td>
</tr>
<tr>
<td>Number of electric vehicles in fleet</td>
</tr>
<tr>
<td>Number of EV’s charging points supported</td>
</tr>
<tr>
<td>Annual GHG emissions reduced/avoided (tCO2e)</td>
</tr>
<tr>
<td>Annual absolute (gross) amount of waste that is separated and/or collected, and treated (including composted) or disposed of (in tonnes p.a. and in % of total waste)</td>
</tr>
<tr>
<td>Leakage reductions from fluid filled cables (actual volumes)</td>
</tr>
<tr>
<td><strong>Energy Efficiency</strong></td>
</tr>
<tr>
<td><strong>Green Buildings</strong></td>
</tr>
<tr>
<td><strong>Clean Transportation</strong></td>
</tr>
<tr>
<td><strong>Pollution Prevention and Control</strong></td>
</tr>
<tr>
<td><strong>Environmentally Sustainable Management of Living Natural Resources and Land Use</strong></td>
</tr>
<tr>
<td><strong>Climate Change adaptation</strong></td>
</tr>
<tr>
<td>Number of biodiversity projects being undertaken</td>
</tr>
<tr>
<td>Kilometres of overhead lines undergrounded in AONBs</td>
</tr>
<tr>
<td>Number of substations protected from flooding</td>
</tr>
<tr>
<td>Qualitative case studies on adaptation projects</td>
</tr>
</tbody>
</table>
UK Power Networks has appointed DNV Business Assurance Services UK Limited to provide an external review on the UK Power Networks’ Green Bond Framework, and confirm its alignment with the ICMA GBP.

This Second Party Opinion document is available on UK Power Networks’ website.

“On the basis of the information provided by UKPN and the work undertaken, it is DNV’s opinion that the Framework meets the criteria established in the Protocol and that it is aligned with the stated definition of green bonds within the ICMA Green Bond Principles 2021.”
Network reinforcement to:

- 11 Motorway Service Areas, £48m
- 16 Fuel Stations, £4m
- 7 Bus Garages, £4m
- 38 EV Charging Hubs, £9m
- 5 smaller generation / heat pump sites
CommuniHeat – Case Study

Heat represents 37% of UK carbon emissions

Off-gas grid customers and new builds are the most likely early adopters of low carbon heating

We worked with partners in Barcombe, East Sussex to create the UK’s first playbook for off-gas grid decarbonisation

Objective is to transition an entire community to electrified heat alongside other low carbon technologies such as EVs and solar panels

Playbook is repeatable and could benefit our off-gas grid and wider GB customers who are yet to transition
7. CAPITAL STRUCTURE AND TREASURY POLICY
Capital Structure Commitment and Dividend Policy

• The shareholders maintain a conservative and flexible dividend policy
• We are committed to maintaining a BBB+ credit rating for the three DNOs.
  – Flexibility evidenced by shareholders taking a reduced dividend from Northern Gas Networks rather than pushing up gearing when RPI fell dramatically
  – And in our case relating to tax payments in 2018 and our budgeted reduction in dividend in 2021
Cash and Liquidity

- c.£395m cash at 31 March 2021

### UKPN Credit Lines at 30 June 2021

<table>
<thead>
<tr>
<th>Entity</th>
<th>Facility</th>
<th>Drawn Amount £m</th>
<th>Undrawn Amount £m</th>
<th>TOTAL £m</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPN</td>
<td>RCF</td>
<td>-</td>
<td>210.0</td>
<td>210.0</td>
<td>Apr-24</td>
</tr>
<tr>
<td>LPN</td>
<td>RCF</td>
<td>-</td>
<td>145.0</td>
<td>145.0</td>
<td>Apr-24</td>
</tr>
<tr>
<td>SPN</td>
<td>RCF</td>
<td>-</td>
<td>145.0</td>
<td>145.0</td>
<td>Apr-24</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-</td>
<td>500.0</td>
<td>500.0</td>
<td></td>
</tr>
</tbody>
</table>

- The facility matures in April 2024 with the option to extend twice by one year
Funding

- UK Power Networks Services Holdings Refinancing
- £200m secured from two investors on a deferred draw basis, 20 year maturity with average coupon of 2.6655%
- £490m of DNO debt maturing in H2 2021
- Currently undrawn £500m RCF is capable of covering the projected cash position at fiscal year-end
UK Power Networks Debt Maturity Profile by Entity

Year

£'m

2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040 2041

Non-Regulated
SPN
LPN
EPN
8. CONCLUSION
Conclusion

• 2020/21 was another successful year for UK Power Networks despite the disruption caused by COVID-19
• We are delivering lower costs to customers and providing excellent network reliability with industry leading customer service
• We are at the forefront of facilitating the Net Zero transition
• We have published a Green Bond Framework
• We were the leading DNO group in 2019/20 and expect to be again in 2020/21
• We are committed to maintaining at least BBB+ or equivalent credit ratings at our three DNOs
Thank you