National Grid PLC Assigned ESG Evaluation Score Of 82; Preparedness Strong

NEW YORK, May 19, 2021 /PRNewswire/ -- S&P Global Ratings said today that it has assigned National Grid PLC (NG) an ESG evaluation score of 82. The company's ESG evaluation score is the result of an ESG profile of 75 combined with strong preparedness. Higher numbers indicate stronger sustainability in our evaluations. The report is available here.

NG's ESG evaluation score of 82 reflects a robust governance structure, strong preparedness for disruptions, and overall effective management of environmental and social risks. We believe the board is diverse and exhibits strong expertise and independence. The board also shows very strong awareness of disruptive risks to its strategy of enabling the energy transition and uses robust scenario to establish flexible action plans, although political and regulatory dynamics could challenge their ability to execute. This, coupled with its sophisticated innovation capabilities, support NG's long-term resilience, in our view.

We view NG's climate strategy as more advanced than that of global peers. Its waste management leads the industry. The company's networks are reliable and relatively affordable. Community relations are generally positive, although the recent gas connection moratorium in New York stressed certain stakeholder relations. We believe that safety is well managed, with a robust approach for high-hazard assets and plans for aging pipe upgrades. NG also benefits from a diverse workforce and its talent strategy focuses on the energy transition, which aligns with its strategic goals. In our view, NG's recently announced strategic repositioning, which involves the purchase of Western Power Distribution PLC (WPD), the sale of its Rhode Island utility, and the sale of a majority stake in its U.K. gas business, will not materially affect NG's ESG evaluation, as WPD's approach to ESG is broadly aligned with NG's. We expect these transactions will be completed by the end of 2022.

NG is a regulated utility that owns and operates electricity and gas transmission networks in the U.K. (about 50% of operating profit) transmission and distribution utilities in the U.S (42%), and has unregulated operations (8%). In the U.K., NG owns the high-voltage electricity transmission system in England and Wales, operating the system across the U.K., owns and operates the gas transmission system, and owns various interconnectors. In the U.S., NG operates energy distribution networks governed by state regulators in New York, Massachusetts, and Rhode Island, as well as various transmission and interconnection businesses and 3.8 gigawatts of generation in Long Island, N.Y.

What Is An ESG Evaluation?
S&P Global Ratings' ESG evaluation is a cross-sector, relative analysis of an entity's capacity to continue to operate successfully. It is grounded in how ESG factors could affect stakeholders, potentially leading to a material direct or indirect financial impact on the entity.

Our definition of stakeholders for a particular entity goes beyond shareholders to include employees, the local community, government, regulators, customers, lenders, borrowers, policyholders, voters, members, and suppliers. A high ESG evaluation score indicates an entity is relatively less prone to experiencing material ESG-related events, and is relatively better positioned to capitalize on ESG-related growth opportunities than entities with lower ESG evaluation scores.

First, we establish an ESG profile for a given entity, which assesses the exposure of the entity's operations to observable ESG risks and opportunities, and how the entity is mitigating these risks and capitalizing on these opportunities.

Second, we assess the entity's long-term preparedness, namely its capacity to anticipate and adapt to a variety of long-term plausible disruptions.

S&P Global Ratings currently evaluates over 60 entities across the globe; they have an average score of 68. Since the first ESG evaluation, published in June 2019, we have finalized ESG Evaluations across 19 sectors globally. By region, the highest average score is 72, for companies headquartered in Europe.

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how ESG factors could affect stakeholders and potentially lead to a material direct or indirect financial impact on the entity. ESG factors typically assess the impact of the entity on the natural and social environment and the quality of its governance. The Product is not a research report and is not intended as such.

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