Safety performance reaches record levels

Our ongoing efforts to strengthen and sustain our safety culture are paying off. In 2011, we had our best year ever from a safety standpoint. For the first time since 2008, we had zero employee or contractor work-related fatalities.

We can attribute this improvement to many factors, including a heightened focus on our safety culture among contractors in 2011. We more actively engaged our contracted companies, their managers and workers in monthly safety forums, ongoing dialogue, alignment exercises and more.

Our 2011 employee Total Incident Case Rate (TICR) of 0.86 set a new company record as well, and nearly achieved our aggressive target of 0.84. In 2011, we experienced 15 fewer recordable incidents than in 2010. Our employee TICR has improved 43 percent since 2006.

Although we are satisfied with our safety improvement through the years, we cannot and will not lower our expectation for the future — which is to achieve top-decile TICR performance among our industry peers. Company leaders continue to develop safety improvement plans in their organizations. These plans increase safety awareness, and reduce employee and contractor exposure to workplace hazards. Fifty-five safety improvement plans were implemented companywide in 2011.

Additionally, in 2012 we are stepping up our efforts to prevent serious injuries and fatalities. We are part of a Mercer/ORC group of U.S. and multinational companies — including GE, Alcoa, Exxon, Kimberly-Clark and others — that is focused on occupational safety and health. Together, we are working to develop a methodology to eliminate or reduce serious injuries and fatalities in the workplace.

Creating a culture of health

At Duke Energy, we recognize that the health and well-being of our employees are essential to the company’s success. Our goal is to create an environment that promotes and supports personal accountability, and improves the health, safety and productivity of our workforce.

Live Well, Duke Energy’s broad range of health coverage, wellness and clinical support programs, is the way we deliver on that promise. Just as Duke Energy

### Challenges
- Improve employee and contractor safety even more
- Build a culture of health to improve the well-being of our employees
- Improve diversity and effectively manage a multigenerational workforce

### Opportunities
- Maintain our strong reputation as a preferred employer
- Continue to partner with colleges and universities to build a pipeline of talent
- Selectively hire top talent and effectively transfer knowledge and skills as baby boomers retire

### 2011 and Early 2012 Highlights
- For the first time since 2008, had zero employee or contractor work-related fatalities
- Achieved the best employee safety Total Incident Case Rate in company history, a 43 percent decrease from 2006
- Maintained a high level of management and employee engagement, as measured by favorable scores on survey questions

### SAFETY AT DUKE ENERGY

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee and contractor work-related fatalities</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>5</td>
<td>0</td>
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<tr>
<td>Employee Total Incident Case Rate (TICR) (^1)</td>
<td>1.25</td>
<td>1.15</td>
<td>1.00</td>
<td>0.90</td>
<td>0.86</td>
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<tr>
<td>Employee Lost Workday Case Rate (LWCR) (^2)</td>
<td>0.26</td>
<td>0.28</td>
<td>0.23</td>
<td>0.23</td>
<td>0.32</td>
</tr>
<tr>
<td>Contractor Total Incident Case Rate (TICR) (^3)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1.21</td>
<td>1.07</td>
</tr>
<tr>
<td>Contractor Lost Workday Case Rate (LWCR) (^3)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.28</td>
</tr>
</tbody>
</table>

1 Number of recordable incidents per 100 workers (based on OSHA criteria). Top decile in 2010 for employee TICR was 0.72 (based on the latest data available from the Edison Electric Institute).
2 Number of lost workday cases per 100 workers.
3 First year compiled and reported.
Employee engagement is critical to our success as a company. In this Q&A, Jennifer Weber discusses Duke Energy’s focus on individual accountability as key to building and sustaining a high-performance culture.

What is Duke Energy doing to manage talent for peak performance? Duke Energy has always been focused on performance and results. However, in 2010 we enhanced our performance management process to help managers and employees be more successful. Critical components of this new approach:

- Train all managers on the enhanced process and our philosophy of a high-performance culture and employee engagement.
- Provide effective coaching and feedback to all employees.
- Develop clear goals that are aligned with company goals, to help employees understand how they impact company results.
- Link merit and incentive opportunities to drive individual accountability.
- Provide more effective online tools to help managers set goals and track performance.

After one year, the new performance management process paid off, as evidenced by the 2011 Employee Opinion Survey. “Rewarding performance” scores are the highest they’ve been since 2006. Ratings on manager effectiveness rose dramatically and are 7 percentage points above the national norm.

We believe the key drivers for these improved scores are in-depth performance discussions between employees and their managers, and performance-based compensation. Our managers also quickly embraced the new process, set the expectations, and better understood their role in helping employees develop their skills and perform to their potential.

What do you mean by employee engagement, and why does it matter? We define employee engagement as the extent to which employees are willing to put forth discretionary effort to help the company succeed. Engaged employees care about their work and the performance of the company, and they understand how their efforts impact results.

Research shows that highly engaged employees drive business success because they take responsibility for the quality of work, controlling costs, customer satisfaction and innovative ideas. Employee engagement is a critical outcome of our focus on performance and manager effectiveness.

How does the company empower employees to take ownership for managing their careers? In several ways. As part of the performance management process, managers have periodic career discussions with employees, creating a collaborative goal-setting environment.

Employees have an opportunity to create individual career development plans — a road map of their career aspirations and how they can achieve them. And they are encouraged to maintain Live Profiles (online resumes) in our talent management system. These profiles are used to search for employees with specific qualifications for special assignments, projects or key company positions.

Employees also have access to self-serve resources on our employee Portal — including company-sponsored training, competency self-assessment and resources for career development. However, nothing is more important than initiating career development discussions with managers and mentors.

To learn how Duke Energy continues to build on these positive results, see the continuation of Jennifer Weber’s Q&A in the Quality Workforce section of our Sustainability Report online.
has aggressively pursued safety as a top priority, we’re now putting that same level of energy into building a culture of health.

According to UnitedHealthcare (UHC), our medical plan administrator, many medical claims for Duke Energy employees are related to preventable conditions. Cardiovascular conditions, diabetes, and joint and back problems are among the top health conditions currently affecting our employees. UHC is providing educational health and disease management coaching, which is available to all employees as part of the Live Well program.

Free biometric health screenings are provided at many work locations. Employees who participate receive Live Well program incentives that can reduce the cost of their medical coverage. (Those who can’t participate on site can earn the same incentives by visiting their doctors for those screenings.) Employees can earn additional incentives by getting preventive health services, completing online health assessments, attending on-site educational sessions and participating in health coaching.

Our focus on wellness benefits employees’ health and the bottom line — for both employees and the company. Duke Energy’s medical plan is self-insured, which means that Duke Energy and employees share the responsibility for paying all medical costs. When we manage those costs effectively, both employees and Duke Energy reap the savings.

Controlling costs and staying healthy can start with something as simple as stretching.

Our Power Delivery workforce has begun to make fitness a part of every workday, with a morning stretching program. This simple but innovative best practice drew the attention of The Wall Street Journal, which called it “an inventive way to keep its experienced, maturing line workers in tip-top physical condition for the job.”

Whether it’s stretching, walking, working out or getting a yearly physical, Duke Energy employees are finding ways to stay healthy — for their own benefit and the company’s.

**Building a pipeline of energy workers**

Training the next generation of energy workers — at every level — is essential. The United States is facing what the National Commission on Energy Policy calls “a critical shortage of trained professionals to maintain the existing electric power system and design, build and operate the future electric power system.”

At Duke Energy, more than 60 percent of our employees are “baby boomers” — born between 1946 and 1964. Because of this, we have a large population of employees approaching retirement age. In fact, more than half of our employees will be eligible to retire in five years, and about two-thirds in 10 years. (Eligible to retire is defined as 55 years of age or older, with at least five years of service.)

To address this potential loss of talent, we’re working on several fronts to make sure we have a pipeline of energy workers ready to tackle tomorrow’s challenges.

**Partners in education**

One strategy is to partner with line-worker academies and nuclear operator programs at community and technical colleges in our service areas. We provide programmatic support through funding, equipment, instructors, curriculum development, scholarships and employment opportunities for graduates.

We also partner with universities to develop the next generation of energy expertise. In 2011, The Duke Energy Foundation announced a $4.5 million gift to support UNC Charlotte’s Energy Production and Infrastructure Center (EPIC), which is focused on training new engineers and conducting research in energy technologies.

The center will be an educational resource for engineering students from many universities and colleges, and a national laboratory for cutting-edge technologies that will shape the energy industry.

**Four generations in Duke Energy’s U.S. workforce**

<table>
<thead>
<tr>
<th>Generation</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Traditionalists</td>
<td>0.5%</td>
</tr>
<tr>
<td>Baby boomers</td>
<td>61.2%</td>
</tr>
<tr>
<td>Generation X</td>
<td>30.1%</td>
</tr>
<tr>
<td>Millennials</td>
<td>8.2%</td>
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</table>

Ongoing training in facilities such as this control room simulator at McGuire Nuclear Station is vital to safe and reliable operations.
The gift, to be made over a five-year period, was announced along with a $4.3 million gift from Siemens. The combined support will help fund:

- A student fellows program for incoming freshmen with an interest in energy engineering
- A smart grid research laboratory
- A faculty position for a distinguished professor with proven research in power engineering systems to serve as the center’s inaugural director.

Creating career pathways

The Center for Energy Workforce Development (CEWD), with funding from the Bill and Melinda Gates Foundation, is piloting the Get Into Energy Career Pathways program in nine states, including four in our service area: North Carolina, South Carolina, Indiana and Ohio. The CEWD is working through state Energy Workforce Consortia — partnerships of energy companies, educational institutions, and state labor departments and workforce agencies.

The intent of the program is to hire and train 500 low-income young adults for energy-related careers by 2013. Duke Energy is supporting this program by offering employment, training and opportunities for career advancement to selected participants in our service areas.

Thanks to the planning Duke Energy is doing today, our pipeline of promising talent will position us well to meet the workforce needs of the future.

**WEB EXCLUSIVE CONTENT**

- Employee engagement improves
- Employees recognized with James B. Duke awards

**VIDEO**

*Working at Duke Energy*