

Governance



Delivering results with
transparency and accountability.

Governance



2020 Highlights

- Achieved adjusted earnings per share of \$5.12, compared to \$5.06 in 2019.
- Swiftly responded to COVID-19 with exceptional cost management, producing \$450 million in mitigation actions.
- Hosted inaugural Environmental, Social and Governance (ESG) Day for investors, showcasing our clean energy transformation.
- Implemented the Hire North Carolina program to maximize the use of locally owned and diverse contractors for major construction.
- In early 2021, published a [report](#) that reviewed the major trade associations to which the company belongs and their positions on climate policy.

Challenges and Opportunities

- Deliver value to our stakeholders and grow our business by investing \$59 billion in capital over the next five years, with an emphasis on investments in the grid and cleaner energy.
- Stay abreast of best practices and continue to provide strong corporate governance.
- Continue to be a leader in environmental, social and governance (ESG) transparency in our industry.

Effective Governance at the Top

Effective corporate governance is a critical component to the success of Duke Energy's business strategy. Our Board of Directors, led by our Chair, President and CEO Lynn Good, provides the leadership and guidance that drives sustainable, long-term value for our stakeholders, employees, customers and the communities in which we serve.

Our Board is responsible for overseeing the company's long-term strategy to provide clean, reliable and affordable energy to our customers. As part of this oversight, the Board focuses on environmental, social and governance (ESG) matters, goals and strategies, as well as how our company's performance metrics and incentives align with those goals.

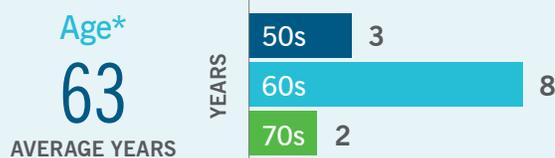
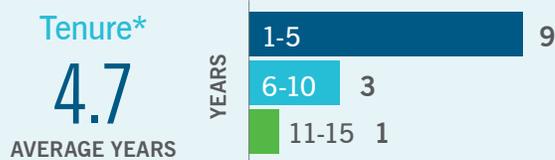
The Board looks at the composition of its members annually – with a strong focus on diversity, including gender, race, background, skills and areas of experience – which enhances the quality of the Board's discussions and decisions.

The Board is structured with a strong independent lead director role that assists the chair and CEO in setting agendas, approves meeting schedules, and leads the independent members of the Board in executive committee sessions at each meeting, among other responsibilities.

All members of the Board, except Good, are independent and comprise the six committees: Audit, Compensation and People Development, Corporate Governance, Finance and Risk Management, Operations and Nuclear Oversight, and Regulatory Policy. The committees oversee all operational, financial, strategic and reputational risks as set forth in their respective committee charters.

For more information about our Board of Directors, see the [proxy statement](#) for the 2021 Annual Meeting of Shareholders and the [corporate governance section](#) of our website.

Our Board Composition



Board Refreshment*



9 out of 13 director nominees were first appointed or nominated for election in the last five years

Gender, Racial and Ethnic Diversity*



5 out of 13 director nominees are female or identify as a part of a minority group

Independence



12 out of 13 director nominees are independent (all directors except chair, president and CEO)

*Information provided for director nominees at the 2021 Annual Meeting of Shareholders.

Compensation: Based on Performance, Metrics

Duke Energy maintains a performance-based, metrics-driven executive compensation program, designed to:

- Link pay to performance
- Attract and retain talented executives and other key employees
- Emphasize performance-based compensation to motivate executives and other key employees
- Reward individual performance
- Encourage long-term commitment to Duke Energy
- Align executives' interests with those of stakeholders, including shareholders and customers

The company meets these objectives through a mix of compensation that includes base salary, short-term incentives, and long-term incentives consisting of performance shares and restricted stock units.

To support clean energy initiatives, Duke Energy measures the performance of its nuclear and renewable generation assets through a reliability metric under the company's short-term incentive (STI) plan.

The Board of Directors' Compensation and People Development Committee added a climate-related metric to the STI plan in 2021, further bolstering the company's commitment to decarbonization. The metric focuses on incenting Duke Energy's leadership team to advance the company's climate strategy based on relevant criteria specific to each senior executive.

Other key components of the company's compensation program include:

- **Environmental events metric** – to ensure the company's commitment to the environment, based on the number of reportable environmental events.
- **Customer satisfaction metric** – to prioritize the customer experience and customers' growing demands for cleaner energy, based on a composite of customer satisfaction survey results for each business area.
- **Safety metric** – to ensure safety remains the company's top priority with the goal of an injury-free workplace, based on the total incident case rate of injuries and illnesses among employees.

Duke Energy regularly reviews its compensation program and performance metrics with the Board's Compensation and People Development Committee, revising as needed.

For more information about Duke Energy's compensation practices, see the [proxy statement](#) for the 2021 Annual Meeting of Shareholders.

The Board of Directors' Compensation and People Development Committee added a climate-related metric to the short-term incentive plan in 2021, further bolstering the company's commitment to decarbonization.



Strong Results and a Clear Financial Vision

In 2020, Duke Energy achieved adjusted earnings per share (EPS) of \$5.12, compared to \$5.06 in 2019, representing continued growth. Despite the challenges presented during the year, Duke Energy advanced its long-term strategy to achieve a clean energy future, delivered on its commitments to customers and shareholders and positioned the company for additional growth in the years ahead.

The electric, gas and commercial renewables businesses delivered positive results in 2020, which were supported by significant customer growth in our electric and gas businesses, rate case activity in Indiana, Kentucky, North Carolina and Florida, and new renewables projects placed in service.

In 2020, the company swiftly responded to COVID-19 and major storms with exceptional cost management, producing \$450 million in mitigation actions.

The company also took proactive steps to support the balance sheet, helping pave the way for an increase in the company's five-year capital plan to fund clean energy investments, grid improvement projects and enhance customer experience. These

efforts also bolstered the company's earnings growth potential as it delivers sustainable value for shareholders.

Given 2020 results and a robust five-year \$59 billion capital plan, the company announced its 2021 adjusted EPS guidance range of \$5.00 to \$5.30, with a midpoint of \$5.15 per share – and increased its long-term adjusted earnings growth rate to a range of 5 to 7 percent through 2025, based on the 2021 midpoint.

Duke Energy remains committed to offering an attractive, long-term value proposition to its shareholders. 2020 marked the company's 14th consecutive year of paying an increased dividend to its investors – growing 2 percent. The company's dividend yield continues to be one of the highest in the industry at 4.1 percent as of February 9, 2021.

The company also added a fourth transaction to its growing list of capital raising efforts involving minority-owned firms serving in lead underwriting roles – a clear demonstration of Duke Energy's commitment to diversity and inclusion. Duke Energy Progress (DEP) completed a \$700 million debt offering with seven diverse and minority-owned financial firms.

Duke Energy advanced its long-term strategy to achieve a clean energy future, delivered on its commitments to customers and shareholders and positioned the company for additional growth in the years ahead.

Financial Highlights

December 31, 2020

(In millions, except per share data)¹

| | 2018 | 2019 | 2020 |
|---|-----------|-----------|------------------|
| Total operating revenues | \$24,521 | \$25,079 | \$23,868 |
| Income from continuing operations | \$2,625 | \$3,578 | \$1,075 |
| Reported basic and diluted earnings per share (GAAP) | \$3.76 | \$5.06 | \$1.72 |
| Adjusted basic and diluted earnings per share (non-GAAP) | \$4.72 | \$5.06 | \$5.12 |
| Dividends declared per share | \$3.64 | \$3.75 | \$3.82 |
| Total assets | \$145,392 | \$158,838 | \$162,388 |
| Long-term debt including finance leases, less current maturities | \$51,123 | \$54,985 | \$55,625 |

¹ See Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2020, for detailed notes and further explanations.

Earnings per share

(in dollars) ■ Reported Diluted ■ Adjusted Diluted



Dividends declared per share

(in dollars)



Capital and investment expenditures

(dollars in billions)



The company also hosted its inaugural [Environmental, Social and Governance \(ESG\) Day](#) during 2020 – highlighting those important issues to shareholders.

Duke Energy's total shareholder return – measured as the change in stock price plus the reinvestment of dividends – for 2020 was 4.8 percent, outperforming the Philadelphia Utilities Index (UTY) by approximately 210 basis points.

Duke Energy is confident in its climate strategy, vibrant service area growth, proven capability to control costs and consistent work with stakeholders will achieve constructive outcomes that benefit a wide range of stakeholders. The company is confident in the road ahead, focused on delivering strong, long-term returns for our shareholders and providing industry-leading service to our customers for years to come.

Incorporating Risk Management

Operating critical infrastructure to deliver clean, reliable and affordable energy comes with inherent risk. As interest around climate change and the company's clean energy transition continues to grow, Duke Energy is leveraging its enterprisewide risk management philosophy to help inform and advance our long-term vision.

Duke Energy's strong risk management culture is underpinned by the company's ability to plan beyond the next year – or even five years. The company is looking into the next decade to identify, evaluate and mitigate risks associated with its net-zero carbon emissions target, including physical infrastructure, the transition to cleaner energy sources, federal and state energy policies and the development of new technologies.



To manage these risks effectively, the company includes climate change considerations into its annual Enterprise Risk Management (ERM) process. The ERM process is used to identify potential risks to corporate profitability and value and provides a framework to respond in an integrated and informed fashion.

The responsibility for managing climate risk is cascaded throughout the organization. Business unit leaders across the company analyze risks and determine how the company can best address near-term and long-term risks. The Board of Directors is also integral in reviewing the annual enterprise risk assessment and routinely discusses climate risk governance.

Duke Energy incorporates climate, technology and economic risks into our long-term planning through integrated resource plans for each of our regulated electric utility companies. These 10-, 15- or 20-year plans (depending on the state) provide options for how Duke Energy can continue to serve customers and communities in the future.

The filings consider forecasts of potential future climate policies, future electricity demand, fuel prices, transmission improvements, new generating capacity, integration of renewables, energy storage, energy efficiency and demand response initiatives. As we prepare these proposals, the company incorporates feedback from stakeholders and clearly considers risks to reach climate-focused goals at the state, federal and company level.

Storm Response at Home and Elsewhere

A record hurricane season, winter storms and severe weather, and an unprecedented pandemic challenged Duke Energy crews and every community that we serve in 2020. It was clear by March that the pandemic would be transformative for Duke Energy's storm response process.

A task force immediately went to work revising work processes and storm procedures to improve social distancing, modify travel and lodging procedures, deploy protective equipment, screen and monitor crew health, and coordinate storm response operations virtually.

These protocols were quickly put into action when a series of storms pummeled the Carolinas and Midwest in April, and again when hurricanes Isaias, Zeta and Eta struck Duke Energy service areas. This proactive planning resulted in no identified employee COVID-19 exposures during storm response efforts on our system in 2020.

Smart, self-healing technology systems helped to avoid more than 187,000 extended customer outages during storms, saving more than 1 million hours of lost outage time and helping speed overall storm restorations. Duke Energy is significantly expanding this technology over the next few years, which automatically detects power outages and reroutes power to restore power faster.



Smart meters also play a key role in improved restoration times. Restoration teams were able to successfully ping 41,000 meters to verify that power had been restored after completion of repairs, saving around 5,500 truck rolls and freeing up resources during major event responses in 2020.

In a record year that went beyond the standard list of named storms, Duke Energy also helped its neighbors recover from hurricane impacts. More than 3,500 Duke Energy crews and contract teams were deployed to assist multiple utilities along the Gulf Coast and other areas in 2020, providing more than 70 days of support and helping restore power in communities hit hard by extreme weather.

The company is working hard to prepare for the next storm. Duke Energy recently completed the installation of protective barriers around essential systems in flood-prone areas of the Carolinas, is continuing to upgrade poles and wires in vulnerable areas, and has grid strengthening and resiliency initiatives underway in all the regions we serve.

Supply Chain Drives Local and Diverse Economic Impact

Duke Energy promotes economic development and supports its communities through various aspects of its operations, including investment with suppliers, vendors and contractors.

In 2020, Duke Energy spent more than \$11.7 billion purchasing goods and services to provide electricity and natural gas to our customers. Our [Supplier Code of Conduct](#) describes in detail our expectations of suppliers.

Duke Energy also rolled out an innovative new program during 2020 – Hire North Carolina – to maximize the use of locally owned and diverse contractors for major construction, extension and repair projects that exceed \$700,000 in cost.

As part of this program, which is directed and overseen by the North Carolinas Utilities Commission, Duke Energy developed a list of resident contractors, including women- and minority-owned businesses, in order to expand the local contracting source pool for high-value work taking place in North Carolina, such as managing coal ash, upgrading or building plants and substations, and improving the grid.

Diverse and Local Supplier Spending

| (in millions) | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---------|---------|---------|---------|----------------------------|
| Spending with Tier I diverse suppliers ^{1,2} | \$681 | \$776 | \$850 | \$1,153 | \$895 |
| Spending with Tier II diverse suppliers ³ | \$494 | \$437 | \$492 | \$467 | \$387 |
| Total diverse supplier spending | \$1,175 | \$1,213 | \$1,342 | \$1,620 | \$1,282⁴ |
| Spending with Tier I local suppliers ² | \$3,500 | \$3,670 | \$4,180 | \$4,940 | \$4,094 |

1 Piedmont Natural Gas data from the first three quarters are included in 2016. Full-year data are included beginning in 2017.

2 Tier I represents direct purchases from diverse or local suppliers.

3 Tier II consists of spend by Duke Energy suppliers with diverse suppliers/subcontractors.

4 The decrease in 2020 diverse spend from 2019 was mainly due to lower overall spend.



Duke Energy prioritizes ethics and integrity in all our actions with our customers, employees and the communities we serve.

Hire North Carolina is in alignment with and a complement to our supplier diversity initiative and our corporate responsibility sourcing strategy. We improve the vitality of our communities by consistently considering local economic impact, diversity and sustainability in our sourcing selection process. During 2020, Duke Energy spent more than \$4 billion with local suppliers.

Spending with diverse suppliers was nearly \$1.3 billion, with 30 percent of the spending from subcontracting by our prime contractors. Through the collaborative efforts of internal customers, prime contractors and our supply chain department, Duke Energy has spent more than \$1 billion annually with diverse suppliers for six consecutive years.

Local, regional and national outreach efforts with educational institutions, trade associations, community economic development organizations and others create awareness of opportunities to work with Duke Energy.

The company presented several virtual business opportunity forums during the year. It also hosted the annual Energizing Powerful Connections (EPC) conference. EPC is sponsored by six southeastern energy companies and focused on best practices and strategies for minority-owned businesses.

As a testament to Duke Energy's commitment to the equitable inclusion of local and diverse suppliers, it earned both the African American Chamber of Commerce of Central Florida (AACCCF) Corporation of the Year, and the National Association of Women Business Owners (NAWBO) Greater Raleigh Corporate Partner of the Year awards.

Maintaining the Focus on Ethics

Duke Energy prioritizes ethics and integrity in all our actions with our customers, employees and the communities we serve. This includes adhering to our ethics codes for [directors](#), [employees](#) and [suppliers](#) and complying fully with all legal and regulatory requirements.

New employees are required to complete ethics and compliance training in their first 30 calendar days on the job. All employees also are annually required to complete an ethics refresher training, acknowledge their responsibility to comply with company ethics policies, and confirm their obligation to report violations of laws, rules or company policies.

The company continuously reviews policies and tightens controls and oversight whenever opportunities to achieve higher levels of performance and accountability arise. By restructuring reporting functions, the company's designated chief ethics and compliance officer's responsibilities now include a full-time commitment to the ethics and compliance program.

2020 marked the end of independent oversight by a court-appointed monitor and a second independent monitor required by the EPA as part of a plea agreement stemming from a coal ash spill in 2014. The company exited probation and debarment without a single violation of the agreements during those five years.

In the final report to the EPA, the independent monitor observed the company's ethics and compliance

program was adequately designed to prevent and detect non-compliance with applicable laws.

Duke Energy was cognizant of the varying ethical and security risks associated with a work-from-home environment. We digitally transformed the employee concerns hotline by adding an option to report an issue using a smartphone-friendly form.

Employees utilized the company's hotline to voice both individual and societal concerns, and as a result of lessons learned, Duke Energy revamped ethics training, social media, political activity and workplace harassment communications to bring a common understanding of an inclusive work environment despite the polarization of our social discourse.

Environmental, Social and Governance Ratings

To drive continuous improvement, Duke Energy benchmarks its environmental, social and governance (ESG) practices against best-in-class and peer companies. The ESG ratings for Duke Energy by various companies are provided below.

| | Scale | 2019 | 2020 | 2021 |
|--|---|---|---|--|
| Dow Jones Sustainability North American Index (DJSI NA) | 0-100 (best) Represents the top 20% of companies in sector | 73 Duke Energy was included in the 2019 DJSI NA | 77 Duke Energy was included in the 2020 DJSI NA | 2021 results to be announced in September |
| MSCI | Letter grade and 0-10 (best) score | BBB 5.2 | A 6.7 | A 6.7 |
| Sustainalytics | 0 (best)-100 risk rating rank (1=best) | 33.3 risk rating 45 out of 180 in global electric sector | 33.2 risk rating 51 out of 180 in global electric sector | New results pending |
| Bloomberg ESG Disclosure Score | 0-100 (best) | 56.6 (second-highest score for our peer U.S. utilities) | 57.4 (third-highest score for our peer U.S. utilities) | 61.89 (highest score for our peer U.S. utilities) |
| ISS Quality Scores¹ | 1 (best rating) -10 | | | |
| ■ Environmental | | 3 | 3 | 3 |
| ■ Social | | 4 | 2 | 3 |
| ■ Governance | | 2 | 1 | 1 |

¹ Scores are as of March 1.



Duke Energy is in the middle of a historic period of transformation, as our company executes a bold strategy to secure a clean energy future for the millions of Americans we are proud to serve.

In 2020, we received 2.6 reports per 100 employees of breaches of our ethics codes compared to our benchmark median of 1.9. Of those, 40 percent were substantiated resulting in corrective action. The company also expects company leadership to frequently discuss ethical issues with employees.

[Learn more](#) about Duke Energy's ethics and employee engagement programs.

Involved in the Political Process

Duke Energy is in the middle of a historic period of transformation, as our company executes a bold strategy to secure a clean energy future for the millions of Americans we are proud to serve.

This transformation requires sound policy at the local, state, and federal levels to provide the path forward for addressing climate change while continuing to deliver affordable, reliable, and increasingly clean energy.

It is therefore essential for the company to engage in public policy discussions – both on behalf of Duke Energy and through trade associations – to advocate for the interests of customers, shareholders, employees and communities.

In March of 2021, Duke Energy published a [report](#) that reviewed the major trade associations to which the company belongs and their positions on climate policy. This report is among the first of its kind in our industry.

DukePAC, a voluntary, nonpartisan political action committee, leverages the collective financial contributions of eligible employees to support political organizations and candidates who share the concerns and best interests of Duke Energy employees and customers. In 2020, DukePAC's total contributions were \$1,261,320.

Duke Energy's total reportable federal lobbying expenses in 2020 were \$4,320,000. That amount includes the \$755,197 federal lobbying portion of trade association dues (includes dues in excess of \$50,000) to support policy research and advocacy.

The company also contributed approximately \$2,045,000 to Section 527 organizations created to support the nomination, election, appointment or defeat of a candidate. (For additional details, see Duke Energy's [Corporate Political Expenditure Reports](#).)

Duke Energy's [Political Expenditures Policy](#) was adopted several years ago and is reviewed regularly. It sets out the principles governing our corporate political expenditures and the contributions of Duke Energy's political action committee. It also requires a semiannual update on political expenditures to the Corporate Governance Committee of the Duke Energy Board of Directors.

Unwavering Commitment to Cybersecurity

There is no denying that cybersecurity is a critical issue facing our country. This past year, we saw threats increase in frequency, scale and sophistication and bad actors' relentlessness to exploit the global COVID-19 pandemic.

As an essential service provider and one of the largest grid operators, we recognize with great responsibility comes increased risk, so we remain laser-focused on protecting our teammates, assets and operations from cyber events. That remains job one for our cybersecurity team as we continue to modernize our grid and accelerate digital transformation across our company.

Duke Energy's risk mitigation strategy is concentrated in three core areas: partnership and information sharing, multilayered defense approach, and robust physical and cyber security standards.

Duke Energy routinely collaborates and coordinates with peer utilities, industry partners, government agencies and security organizations to share intelligence, lessons learned and best practices.

On defense, the company has an incident response team and highly skilled cyber and physical security professionals devoted to this mission 24 hours a day. The cross-functional team identifies and mitigates security incidents and engages organizations across the company as well as local, state and federal agencies to respond quickly. And recognizing our job is never done, we continue to modernize our cyber defense tools and processes, including the implementation of advanced security measures for the operational technology found in our substations, power plants and grid modernization initiatives.

Lastly, the electric, nuclear power and natural gas sectors adhere to a range of mandatory regulations as well as enforceable cybersecurity standards and voluntary guidelines. But we go beyond what is required – we're focused on exceeding these standards. To ensure we are adequately prepared to identify, protect, detect, respond and recover from the increasing threats to our critical infrastructure, we conduct multiple drills each year to test incident response plans and ensure employees understand their roles.

The company has a dedicated cybersecurity awareness team focused on educating employees on increasing threats – employing sophisticated test phishing emails, conducting annual cyber responsibility training, and creating seminars and video resources. All of this helps ensure that Duke Energy plays a leading role in the security of our nation's grid and energy infrastructure.

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