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# Realized and Realizable Pay Review

## Duke Energy

Presentation to the Compensation Committee

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## Introduction

- FW Cook's Realized and Realizable Pay Review provides important perspective about the compensation provided to Duke's executive officers
- FW Cook evaluated the degree to which "actual" compensation over the last three years (2017 through 2019) is aligned with financial performance relative to Duke's 20-company peer group and 9-company utility subset

- **"Actual" compensation\* is defined as:**

- Realized Pay: compensation actually received during the three-year period (i.e., a proxy for W-2 income), annualized and compared to the peers
- Realizable Pay: Realized Pay plus available stock option gains compared to the peers
- *Note: Duke's realized and realizable pay are the same because it does not grant stock options*

- **The financial performance measures\* evaluated are:**

- Operating EPS growth
- Total shareholder return ("TSR")

- Compensation data were collected for the CEO and the average of the other four named executive officers ("NEOs") in place at the end of 2019
  - Data reflects Duke's 2019 proxy officers and the roles they were in during 2019:
    - Lynn Good – Chair, President and CEO
    - Steve Young – EVP & CFO
    - Dhiaa Jamil – EVP & COO
    - Julie Janson – EVP, External Affairs & President, Carolinas
    - Douglas Esamann – EVP, Energy Solutions & President, Midwest/Florida & Natural Gas

## Duke's realized/realizable pay and Company performance are directionally aligned

- Duke's realized/realizable pay are below median relative to peers, consistent with operating EPS growth results
- Duke's TSR reflects above and below median performance relative to peers and the utility subset, respectively
- The following factors are contributing to the pay for performance results:
  - **Stock option use and timing:** timing of peer stock option exercises impact realized pay (Duke does not grant stock options and therefore has less volatile realized pay)
  - **Performance:** Duke's 3-year average LTI plan payout has been below target:
    - 3-yr average STI payout (2017, 2018 and 2019 bonuses): 114% of target
    - 3-yr average LTI / Performance Share payout (cycles ending in 2017, 2018 and 2019): 95% of target
- The results of the analyses are summarized below:

		2017 – 2019 "Actual" Compensation* Rank vs Peers			2017 – 2019 Performance* Rank vs Peers	
		Exec	Realized	Realizable	Metric	Relative Rank
<b>Peer Group**</b>	CEO		Between P25 & P50 (86% of benchmark median)	Between P25 & P50 (74% of benchmark median)	Operating EPS Growth	Between P25 & P50
	NEOs		Between P25 & P50 (70% of benchmark median)	Between P25 & P50 (58% of benchmark median)	TSR	Between P50 & P75
<b>Utility Subset**</b>	CEO		Between P50 & P75 (72% of benchmark P75)	Between P50 & P75 (68% of benchmark P75)	Operating EPS Growth	Between P25 & P50
	NEOs		Between P50 & P75 (54% of benchmark P75)	Between P50 & P75 (52% of benchmark P75)	TSR	Between P25 & P50

P25 = 25<sup>th</sup> percentile; P50 = 50<sup>th</sup> percentile; P75 = 75<sup>th</sup> percentile

\*For three-year period ending 12/31/2019

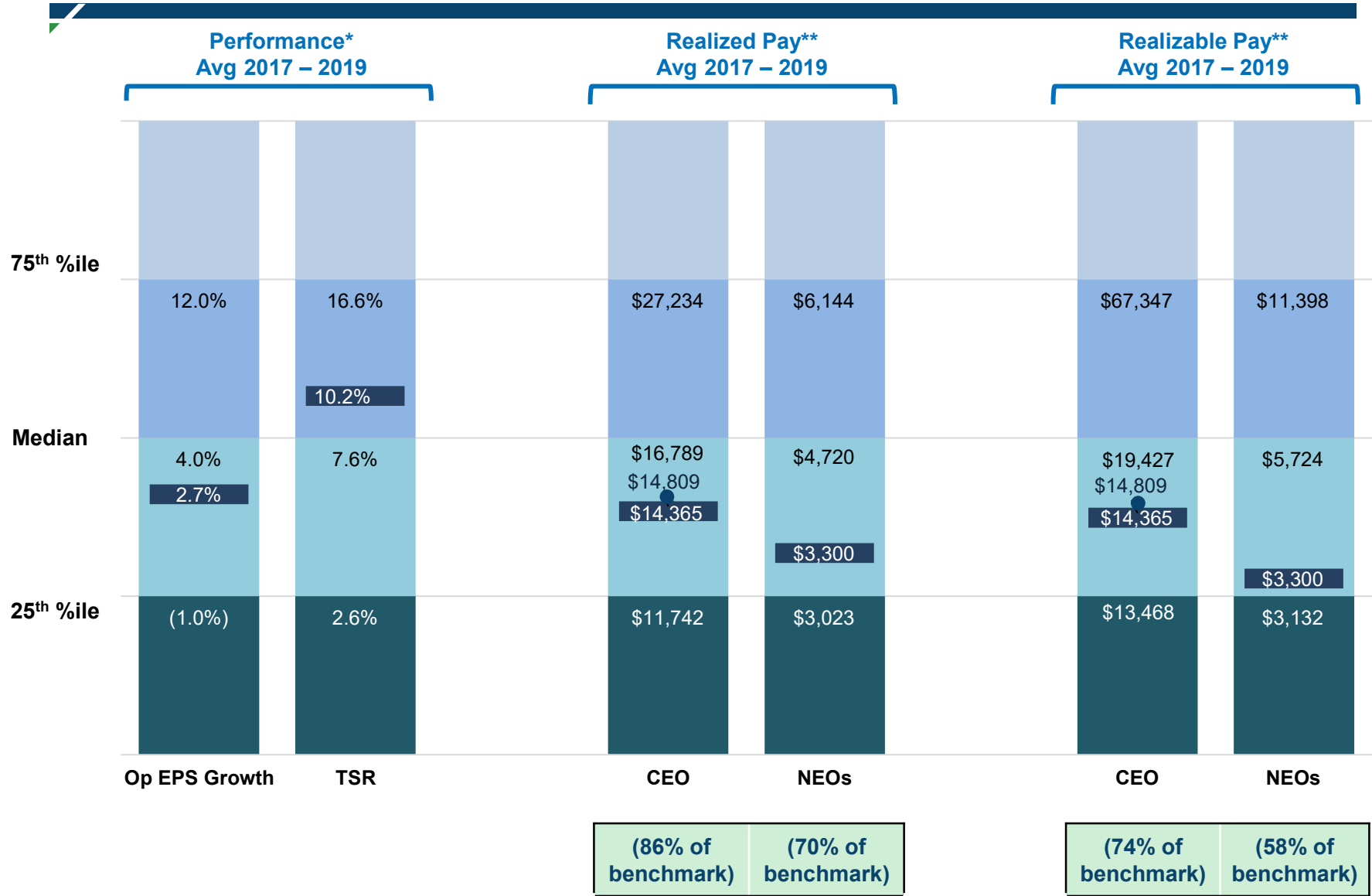
\*\*Benchmark represents the 20-company custom peer group 50<sup>th</sup> percentile and the 9-company utility subset 75<sup>th</sup> percentile.

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**Peer Group – Duke’s realized/realizable pay and EPS performance results are below median, while TSR is between the median and 75<sup>th</sup> %ile**

**Peer Group (n=20)**



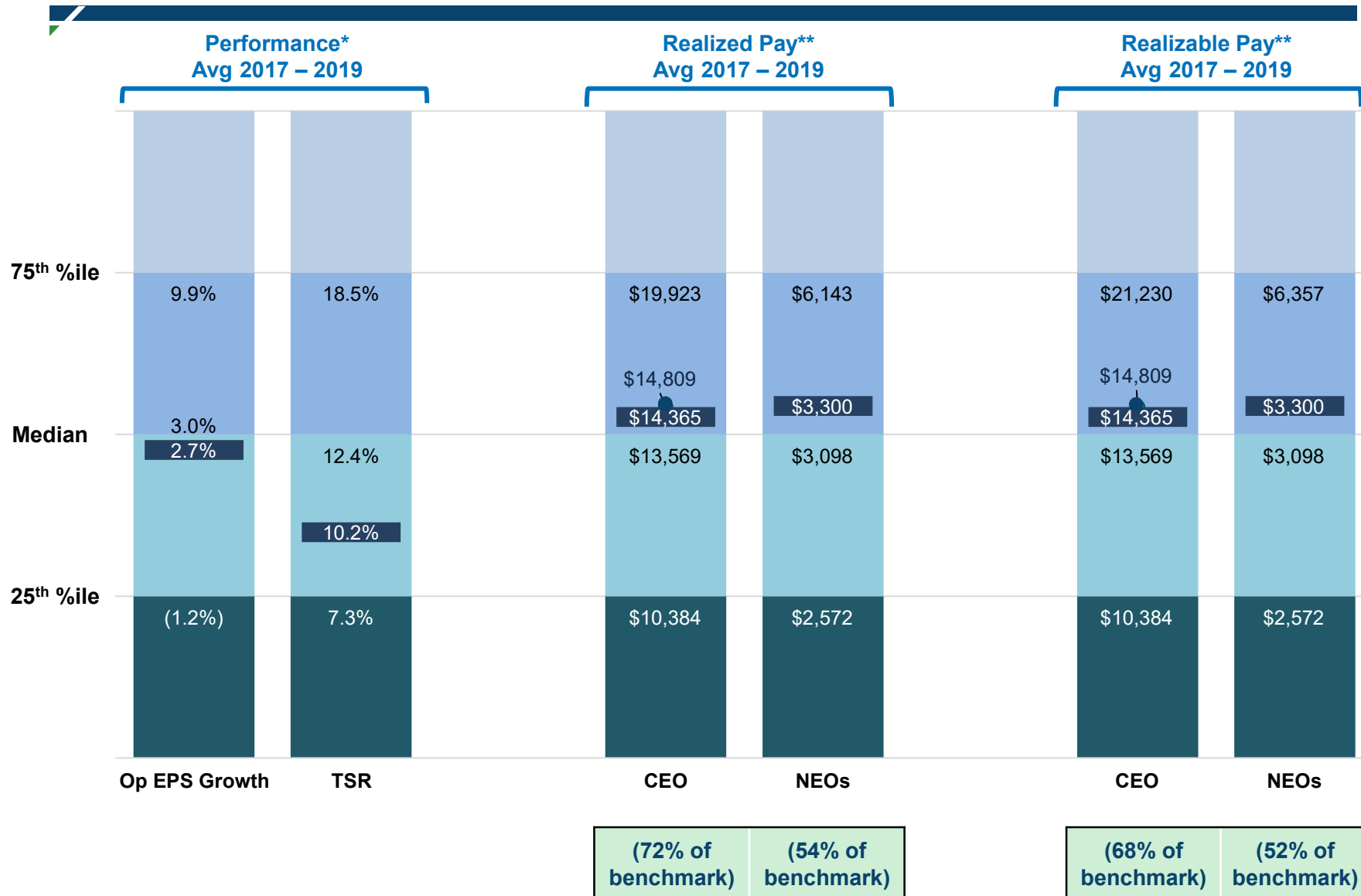
● Reflects Ms. Good's 2020 target total direct compensation, shown for additional reference.



- \*All performance data obtained from S&P Cap IQ database except Duke Operating EPS Growth sourced from proxy.
- \*\*Benchmark represents the 20-company custom peer group 50<sup>th</sup> percentile and the 9-company utility subset 75<sup>th</sup> percentile.

**Utility Subset – Duke’s realized/realizable pay is between the median and 75<sup>th</sup> %ile, while EPS performance and TSR are below median**

**Utility Subset (n=9)**



● Reflects Ms. Good’s 2020 target total direct compensation, shown for additional reference.



- \*All performance data obtained from S&P Cap IQ database except Duke Operating EPS Growth sourced from proxy.
- \*\*Benchmark represents the 20-company custom peer group 50<sup>th</sup> percentile and the 9-company utility subset 75<sup>th</sup> percentile.

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# Appendix

## Appendix A: Definitions

### Compensation Definitions

- Realized Pay:
  - Base salary paid during the year
  - Annual incentive and bonus earned for the year, whether paid in cash or stock
  - Long-term incentive cash payouts for performance cycles that ended during the period
  - Value of restricted or performance stock that vested during the period, based on the value on the vesting or payment date
  - Gain on stock options exercised during the period
- Realizable Pay
  - Realized Total Pay, plus compensation that would be a realized gain on vested but unexercised stock options (if exercised)
- Indirect Compensation is shown in the Appendix but not included in Realized/Realizable Pay
  - Consists of Change in Pension & Non-Qualified Earnings and All Other Compensation

All pay data are based on an average of up to 3 years worth of compensation data, as available; we note that there may be anomalies in the data for executives in place for less than three years.

### Financial Definitions (as provided by S&P Capital IQ)

- Operating EPS Growth: basic earnings per share from operations, excluding the effect of all non-recurring events, and calculated based on compound annual growth rate (CAGR). Duke data is based on proxy-disclosed levels
- TSR: total shareholder return over the three-year period ending on each company's most recent fiscal year-end date (captures change in share price plus value of reinvested dividends)

## Appendix B: Financial Profile

Company	FYE	Sales FYE	Market Cap FYE	Operating EPS 3-Year Growth <sup>(1)</sup>	TSR 3-Year
3M Company	12/31/19	\$32,136	\$101,450	4.9%	2.4%
• American Electric Power Company, Inc.	12/31/19	15,561	46,683	-3.9%	18.5%
CenturyLink, Inc.	12/31/19	22,401	14,402	-4.2%	-8.9%
Colgate-Palmolive Company	12/31/19	15,693	58,999	0.1%	4.2%
• Consolidated Edison, Inc.	12/31/19	12,574	30,075	1.4%	10.9%
Deere & Company	10/31/19	39,233	54,832	27.2%	27.8%
• Dominion Energy, Inc.	12/31/19	16,572	68,169	9.9%	7.3%
Eaton Corporation plc	12/31/19	21,390	39,157	9.0%	16.0%
• Edison International	12/31/19	12,347	27,042	3.0%	5.2%
• Exelon Corporation	12/31/19	34,438	44,318	14.6%	12.4%
FedEx Corporation	5/31/20	69,217	34,109	-16.5%	-11.2%
• FirstEnergy Corp.	12/31/19	10,844	26,259	-8.8%	21.1%
General Dynamics Corporation	12/31/19	39,350	50,898	6.4%	2.7%
International Paper Company	12/31/19	22,376	18,057	12.0%	-0.8%
Lockheed Martin Corporation	12/31/19	59,812	109,833	21.3%	18.9%
Medtronic plc	4/30/20	28,913	130,840	-0.9%	7.9%
• NextEra Energy, Inc.	12/31/19	19,204	118,362	13.1%	29.9%
• PG&E Corporation	12/31/19	17,129	5,753	-1.2%	-43.2%
• The Southern Company	12/31/19	21,419	66,804	3.0%	14.3%
United Parcel Service, Inc.	12/31/19	74,094	100,417	12.0%	4.0%
<i>Utility Subset Summary Percentiles: 9 Companies</i>					
75th Percentile		\$19,204	\$66,804	9.9%	18.5%
Median		16,572	44,318	3.0%	12.4%
<i>Total Summary Percentiles: 20 Companies</i>					
75th Percentile		\$35,637	\$76,231	12.0%	16.6%
Median		21,898	48,791	4.0%	7.6%
25th Percentile		16,352	29,317	-1.0%	2.6%
<b>Duke Energy</b>	<b>12/31/19</b>	<b>\$24,658</b>	<b>\$66,495</b>	<b>2.7%</b>	<b>10.2%</b>
<b>Percentile Rank (9 Utility Companies)</b>		<b>91%</b>	<b>75%</b>	<b>48%</b>	<b>35%</b>
<b>Percentile Rank (20 Companies)</b>		<b>60%</b>	<b>68%</b>	<b>41%</b>	<b>57%</b>

**Notes:**

- (1) Compound Annual Growth Rate.
- (2) Average of last three years.
- (3) • Designates 9-company utility subset

Data Source: Standard & Poor's Cap IQ Database  
"N/M" = Not Meaningful, "N/C" = Not Calculable



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## Appendix C: CEO Realized and Realizable Pay (2017 – 2019 average)

Company	Base Salary	Annual Cash Payout	Total Annual Cash	LTI Cash Payout	Value of Vested Shares	Value of Exercised Stock Options	Realized Pay Total	Value of Vested but Unexercised Stock Options	Realizable Pay Total	Change in Pension & NQDC Earnings	All Other Comp
3M Company	\$1,455	\$2,572	\$4,027	\$0	\$6,357	\$5,856	\$16,240	\$68,549	\$84,789	\$2,606	\$491
American Electric Power Company, Inc.	\$1,419	\$2,733	\$4,153	\$0	\$13,093	\$0	\$17,245	\$0	\$17,245	\$366	\$113
CenturyLink, Inc.	\$1,617	\$2,960	\$4,577	\$0	\$6,562	\$0	\$11,139	\$0	\$11,139	\$132	\$115
Colgate-Palmolive Company	\$1,383	\$2,101	\$3,484	\$0	\$3,447	\$12,984	\$19,915	\$17,675	\$37,589	\$1,915	\$293
Consolidated Edison, Inc.	\$1,298	\$1,721	\$3,018	\$0	\$7,366	\$0	\$10,384	\$0	\$10,384	\$5,165	\$74
Deere & Company	\$1,533	\$2,432	\$3,965	\$1,530	\$9,669	\$11,999	\$27,164	\$53,996	\$81,160	\$1,647	\$557
Dominion Energy, Inc.	\$1,550	\$4,139	\$5,689	\$3,203	\$4,677	\$0	\$13,569	\$0	\$13,569	\$1,222	\$218
Eaton Corporation plc	\$1,021	\$2,078	\$3,100	\$100	\$4,326	\$1,106	\$8,632	\$5,351	\$13,983	\$3,962	\$43
Edison International	\$1,206	\$1,051	\$2,257	\$0	\$1,002	\$0	\$3,259	\$1,417	\$4,676	\$1,933	\$71
Exelon Corporation	\$1,272	\$1,938	\$3,209	\$0	\$16,714	\$0	\$19,923	\$1,307	\$21,230	\$1,243	\$449
FedEx Corporation	\$1,342	\$957	\$2,300	\$6,101	\$0	\$27,569	\$35,969	\$130,624	\$166,594	\$0	\$528
FirstEnergy Corp.	\$1,136	\$1,554	\$2,690	\$0	\$10,388	\$0	\$13,078	\$290	\$13,368	\$4,469	\$46
General Dynamics Corporation	\$1,585	\$4,503	\$6,088	\$0	\$19,421	\$43,798	\$69,307	\$91,799	\$161,107	\$262	\$370
International Paper Company	\$1,403	\$2,436	\$3,839	\$0	\$13,785	\$0	\$17,624	\$0	\$17,624	\$5,485	\$298
Lockheed Martin Corporation	\$1,772	\$5,661	\$7,433	\$3,490	\$18,852	\$4,497	\$34,272	\$28,471	\$62,742	\$3,055	\$898
Medtronic plc	\$1,643	\$2,831	\$4,474	\$4,167	\$5,164	\$2,528	\$16,332	\$17,324	\$33,656	\$247	\$142
NextEra Energy, Inc.	\$1,400	\$4,457	\$5,857	\$0	\$25,662	\$14,058	\$45,576	\$67,003	\$112,580	\$839	\$370
PG&E Corporation	\$1,243	\$0	\$1,243	\$0	\$1,551	\$0	\$2,793	\$0	\$2,793	\$353	\$231
The Southern Company	\$1,363	\$2,106	\$3,469	\$0	\$8,347	\$15,625	\$27,442	\$4,920	\$32,362	\$5,661	\$187
United Parcel Service, Inc.	\$1,238	\$642	\$1,881	\$0	\$9,283	\$779	\$11,944	\$1,557	\$13,501	\$2,409	\$31

<i>Utility Subset Summary Percentiles: 9 Companies</i>											
75th Percentile	\$1,400	\$2,733	\$4,153	\$0	\$13,093	\$0	\$19,923	\$1,417	\$21,230	\$4,469	\$231
Median	\$1,298	\$1,938	\$3,209	\$0	\$8,347	\$0	\$13,569	\$290	\$13,569	\$1,243	\$187
<i>Total Summary Percentiles: 20 Companies</i>											
75th Percentile	\$1,494	\$2,782	\$4,499	\$50	\$11,740	\$8,928	\$27,234	\$23,073	\$67,347	\$2,830	\$370
Median	\$1,363	\$2,101	\$3,661	\$0	\$6,562	\$0	\$16,789	\$1,417	\$19,427	\$1,243	\$187
25th Percentile	\$1,222	\$1,004	\$2,936	\$0	\$2,499	\$0	\$11,742	\$0	\$13,468	\$254	\$58
<b>Duke Energy</b>	<b>\$1,358</b>	<b>\$2,391</b>	<b>\$3,750</b>	<b>\$0</b>	<b>\$10,616</b>	<b>\$0</b>	<b>\$14,365</b>	<b>\$0</b>	<b>\$14,365</b>	<b>\$284</b>	<b>\$362</b>
<b>Percentile Rank (9 Utility Companies)</b>	<b>62%</b>	<b>68%</b>	<b>68%</b>	<b>0%</b>	<b>64%</b>	<b>0%</b>	<b>53%</b>	<b>0%</b>	<b>53%</b>	<b>0%</b>	<b>87%</b>
<b>Percentile Rank (20 Companies)</b>	<b>49%</b>	<b>59%</b>	<b>51%</b>	<b>0%</b>	<b>73%</b>	<b>0%</b>	<b>38%</b>	<b>0%</b>	<b>37%</b>	<b>28%</b>	<b>72%</b>



\*Benchmark represents the 20-company custom peer group 50<sup>th</sup> percentile and the 9-company utility subset 75<sup>th</sup> percentile.

## Appendix C: NEO Realized and Realizable Pay (2017 – 2019 average)

Company	Base Salary	Annual Cash Payout	Total Realized Annual Cash	LTI Cash Payout	Value of Vested Shares	Value of Exercised Stock Options	Realized Pay Total	Value of Vested but Unexercised Stock Options	Realizable Pay Total	Change in Pension & NQDC Earnings	All Other Comp
3M Company	\$793	\$791	\$1,584	\$0	\$1,931	\$1,815	\$5,330	\$13,004	\$18,334	\$1,701	\$80
American Electric Power Company, Inc.	\$647	\$666	\$1,313	\$0	\$2,353	\$0	\$3,665	\$0	\$3,665	\$169	\$70
CenturyLink, Inc.	\$655	\$979	\$1,634	\$0	\$3,052	\$0	\$4,686	\$0	\$4,686	\$26	\$35
Colgate-Palmolive Company	\$866	\$650	\$1,515	\$0	\$858	\$2,381	\$4,754	\$3,338	\$8,092	\$212	\$322
Consolidated Edison, Inc.	\$635	\$442	\$1,076	\$0	\$1,495	\$0	\$2,572	\$0	\$2,572	\$755	\$118
Deere & Company	\$700	\$727	\$1,427	\$476	\$1,593	\$1,921	\$5,417	\$4,174	\$9,591	\$570	\$157
Dominion Energy, Inc.	\$702	\$986	\$1,688	\$391	\$551	\$0	\$2,630	\$0	\$2,630	\$1,073	\$78
Eaton Corporation plc	\$686	\$761	\$1,447	\$61	\$1,314	\$459	\$3,281	\$1,810	\$5,090	\$1,031	\$59
Edison International	\$560	\$320	\$880	\$0	\$235	\$0	\$1,115	\$448	\$1,564	\$516	\$29
Exelon Corporation	\$852	\$912	\$1,764	\$0	\$4,131	\$253	\$6,149	\$208	\$6,357	\$274	\$214
FedEx Corporation	\$886	\$552	\$1,438	\$1,832	\$838	\$3,577	\$7,686	\$11,836	\$19,522	\$261	\$689
FirstEnergy Corp.	\$614	\$621	\$1,235	\$55	\$1,808	\$0	\$3,098	\$0	\$3,098	\$1,081	\$15
General Dynamics Corporation	\$777	\$1,199	\$1,976	\$0	\$2,929	\$3,946	\$8,851	\$7,674	\$16,524	\$153	\$69
International Paper Company	\$641	\$846	\$1,487	\$0	\$3,035	\$0	\$4,522	\$0	\$4,522	\$777	\$174
Lockheed Martin Corporation	\$907	\$1,755	\$2,662	\$919	\$4,850	\$1,047	\$9,478	\$14,339	\$23,817	\$1,255	\$181
Medtronic plc	\$811	\$889	\$1,700	\$679	\$1,000	\$1,528	\$4,908	\$4,128	\$9,036	\$303	\$184
NextEra Energy, Inc.	\$900	\$1,230	\$2,130	\$0	\$3,860	\$1,344	\$7,334	\$9,553	\$16,887	\$292	\$145
PG&E Corporation	\$570	\$224	\$794	\$0	\$823	\$0	\$1,616	\$0	\$1,616	\$345	\$72
The Southern Company	\$812	\$1,073	\$1,885	\$0	\$2,983	\$1,275	\$6,143	\$3,546	\$9,689	\$1,510	\$76
United Parcel Service, Inc.	\$586	\$301	\$887	\$0	\$1,833	\$80	\$2,800	\$344	\$3,144	\$723	\$57

<i>Utility Subset Summary Percentiles: 9 Companies</i>											
75th Percentile	\$812	\$986	\$1,764	\$0	\$2,983	\$253	\$6,143	\$448	\$6,357	\$1,073	\$118
Median	\$647	\$666	\$1,313	\$0	\$1,808	\$0	\$3,098	\$0	\$3,098	\$516	\$76
<i>Total Summary Percentiles: 20 Companies</i>											
75th Percentile	\$822	\$981	\$1,716	\$143	\$2,996	\$1,600	\$6,144	\$5,049	\$11,398	\$1,042	\$176
Median	\$701	\$776	\$1,501	\$0	\$1,820	\$356	\$4,720	\$1,129	\$5,724	\$543	\$79
25th Percentile	\$639	\$604	\$1,293	\$0	\$965	\$0	\$3,023	\$0	\$3,132	\$271	\$67
<b>Duke Energy</b>	<b>\$708</b>	<b>\$673</b>	<b>\$1,381</b>	<b>\$0</b>	<b>\$1,920</b>	<b>\$0</b>	<b>\$3,300</b>	<b>\$0</b>	<b>\$3,300</b>	<b>\$330</b>	<b>\$100</b>
<b>Percentile Rank (9 Utility Companies)</b>	<b>63%</b>	<b>50%</b>	<b>52%</b>	<b>0%</b>	<b>53%</b>	<b>0%</b>	<b>54%</b>	<b>0%</b>	<b>54%</b>	<b>34%</b>	<b>69%</b>
<b>Percentile Rank (20 Companies)</b>	<b>53%</b>	<b>37%</b>	<b>29%</b>	<b>0%</b>	<b>57%</b>	<b>0%</b>	<b>32%</b>	<b>0%</b>	<b>28%</b>	<b>40%</b>	<b>55%</b>



\*Benchmark represents the 20-company custom peer group 50<sup>th</sup> percentile and the 9-company utility subset 75<sup>th</sup> percentile.