

REQUEST:

Regarding the utility's employee compensation policy:

- a. Provide the utility's written compensation policy as approved by the board of directors.
- b. Provide a narrative description of the compensation policy, including the reasons for establishing the policy and the utility's objectives for the policy.
- c. Explain whether the compensation policy was developed with the assistance of an outside consultant. If the compensation policy was developed or reviewed by a consultant, provide any study or report provided by the consultant.
- d. Explain when the utility's compensation policy was last reviewed or given consideration by the board of directors.
- e. Explain whether the utility's expenses for wages, salaries, benefits, and other compensation included in the base period and any adjustments to the base period, are compliant with the board of director's compensation policy.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET
(As to Attachments (b) – (d) only)

- a. The Compensation and People Development Committee of the Board of Directors establishes and reviews the overall compensation philosophy of the Corporation, confirms that our policies and philosophy do not encourage excessive or

inappropriate risk-taking by our employees, reviews and approves the salaries and other compensation of certain employees, including all executive officers of Duke Energy, reviews and approves compensatory agreements with executive officers, approves equity grants and reviews the effectiveness of, and approves changes to, compensation programs. Please see STAFF-DR-01-047(a) Attachment to reference the Compensation and People Development Committee Charter.

- b. Our compensation philosophy is described on pages 6-10 of Jake Stewart's direct testimony.
- c. The Compensation and People Development Committee has engaged FW Cook as its independent compensation consultant. The compensation consultant generally attends each committee meeting and provides advice to the committee at the meetings, including reviewing and commenting on market compensation data used to establish the compensation of the executive officers and directors. The consultant has been instructed that it shall provide completely independent advice to the Compensation and People Development Committee and is not permitted to provide any services to Duke Energy other than at the direction of the Compensation and People Development Committee. Please see STAFF-DR-01-047(b) – (d) Confidential Attachments for annual studies conducted by FW Cook in 2020.
- d. Annually, our compensation philosophy is described in detail in the Compensation Discussion and Analysis (CD&A) of the proxy statement. The Compensation and People Development Committee discusses the CD&A with management and, based on such review and discussions, recommends that the CD&A be included in the proxy statement.

- e. The utility's expenses for wages, salaries, benefits, and other compensation included in the base period and any adjustments to the base period, are components of the Board of Director's compensation program and the Company's Total Rewards compensation program which includes: (1) the establishment of a fair market value for all jobs; (2) annual pay reviews to recognize individual performance; (3) annual short-term cash incentive awards that reward eligible employees with cash bonuses when pre-established goals are achieved; (4) long-term incentive (LTI) opportunities to attract and retain high-performing leaders; and (5) recognition awards given when employees make significant contributions to business operations due to exceptional personal initiative, dedication, perseverance or a uniquely effective approach to work.

PERSON RESPONSIBLE: Jake J. Stewart