Sustainability in the Electric Power Industry

Todd Maki
Senior Account Executive
EUEC
January 31, 2012
Three Pillars of Sustainability

Economic
Revenue, Profits, Shareholder Value, Market Share

Social
Health, Safety, Financial Hardship, Employees, Customers, Communities

Environmental
Climate, Air, Water, Biodiversity, Land, Natural Resources

The Energy Sustainability Interest Group brings companies together to:

• Facilitate an industry forum for a sustainable energy future
• Discover industry-level sustainability priorities and indicators
• Identify and exchange best practices to improve industry performance
• Identify emerging sustainability issues
• Inform the various international sustainability reporting initiatives and agency discussions
Energy Sustainability Interest Group Members

Interest Group Reach and Drivers...

- $169 Billion in Annual Revenues
- Over 217,000 Miles of Transmission Lines
- More than 207,000 Employees
- Total Assets of Almost $377 Billion
- Almost 374 GW of Generation Capacity
- Almost 1,000,000 Miles of Distribution Lines

Figures for 2010 Membership
Stakeholder Drivers
Highlights of 2011 Research
Sustainability Key Performance Indicators

Evaluated Industry KPIs
• 25% of indicators used by 20% or more of companies
• In the industry, key issues align while indicators vary
  – Carbon Risk is most prevalent issue

Identified Alignment Opportunity
• Align measurement, management, and communication for priority issues
• Will inform third-party reporting initiatives

Developing Measureable Framework for Sustainability in the Industry
2012 Focus:
Approach to Managing Sustainability

Important Near & Long-term Issues

Power Industry

Stakeholders

Material Impacts

Company Initiatives

Performance Metrics

Reporting & Disclosure
# Materiality Analysis

## Understanding Relative Industry & Stakeholder Priorities

<table>
<thead>
<tr>
<th>Stakeholder Priorities</th>
<th>Important</th>
<th>Very Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biodiversity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Rights</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land Use</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Terms of Employment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vulnerable Customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stakeholder Engage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transparency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air Impacts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Impacts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Econ. Contrib.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corruption &amp; Bribery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nuclear Gen &amp; Waste</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cybersecurity/Privacy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Safety</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sec. of Energy Supply</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reg. Compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reg. Compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reg. Compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reg. Compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Climate Protection</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balanced Enrgy Mix</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pricing Policy</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Industry Examples:** E.On, Dong Energy, Ford, Intel

© 2012 Electric Power Research Institute, Inc. All rights reserved.
2012 Focus: Approach to Managing Sustainability

Important Near & Long-term Issues

Power Industry

Stakeholders

Material Impacts

Company Initiatives

Performance Metrics

Reporting & Disclosure
## Maturity Assessment

*Mapping Sustainability Management Practices*

<table>
<thead>
<tr>
<th>Illustrative Example</th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Stage 4</th>
<th>Stage 5</th>
<th>Stage 6</th>
<th>Stage 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance &amp; Policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stakeholder Engagement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key Performance Indicators</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goals &amp; Priorities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational Initiatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reporting &amp; Transparency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Industry Example: Southern California Edison*
2012 Focus: Approach to Managing Sustainability

Important Near & Long-term Issues

Power Industry

Material Impacts

Company Initiatives

Performance Metrics

Reporting & Disclosure

Stakeholders
Analyze Industry Indicators - Inform GRI

*Identify Consensus Sustainability KPIs for Power Industry*

- **Economic**
  - Corporate Governance
  - Risk & Crisis Management
  - Codes of Conduct/Compliance/Corruption & Bribery
  - Customer Relationship Management
  - Market Opportunities
  - Price Risk Management
  - Scorecards / Measurement Systems

- **Environmental**
  - Environmental Reporting
  - Environmental Policy / Management System
  - Operational Eco-Efficiency
  - Electricity Generation
  - Transmission & Distribution
  - Climate Strategy
  - Biodiversity

- **Social**
  - Labor Practice Indicators
  - Human Capital Development
  - Talent Attraction & Retention
  - Corporate Citizenship / Philanthropy
  - Social Reporting
  - Stakeholder Engagement
  - Occupational Health & Safety

*Universe of Key Performance Indicators*

*Illustrative Example*

*Industry Examples: AEP, PSEG*
Contact

Jessica Fox
jfox@epri.com
Office: 650-855-2138
Mobile: 510-364-4636

Todd Maki
tmaki@epri.com
Office: 650-855-2162
Mobile: 650-644-8903
Energy Sustainability Interest Group 2012

Objectives and Scope

• Facilitate collaborative advancement of industry sustainability
• Understand sustainability priorities and indicators
• Explore industry decision trade-offs and interdependencies

Value

• Provide the focal point of industry sustainability collaboration
• Position participants to understand and respond to emerging issues

Details and Contact

• Price: $15,000 per company per year
• Qualifies for Tailored Collaboration

Jessica Fox & Todd Maki
• jfox@epri.com, (650) 855-2138
• tmaki@epri.com, (650) 855-2162

SPN Number: 1022203

Enhancing business, social, and environmental performance of the industry