



***PG&E Corporation***<sup>®</sup>

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## **ESG Presentation**

August 2018

# Forward Looking Statements



This presentation contains statements regarding management's expectations, objectives and assumptions for future periods, including Pacific Gas and Electric Company's (Utility) clean energy targets and its strategy in connection with the Northern California wildfires. These statements and other statements that are not purely historical constitute forward-looking statements that are necessarily subject to various risks and uncertainties. Actual results may differ materially from those described in forward-looking statements. PG&E Corporation and the Utility are not able to predict all the factors that may affect future results. Factors that could cause actual results to differ materially include, but are not limited to:

- the impact of the Northern California wildfires, including whether the Utility will be able to recover any costs for service restoration and repair to the Utility's facilities through its Catastrophic Event Memorandum Account (CEMA); the timing and outcome of the remaining wildfire investigations; the extent to which the Utility will have liability associated with the fires;
- whether the Utility will be able to recover costs in connection with the Northern California wildfires in excess of insurance through regulatory mechanisms and the timing of such recovery;
- potential liabilities in connection with fines or penalties that could be imposed on the Utility if the California Public Utilities Commission (CPUC) or any other law enforcement agency brings an enforcement action in connection with the Northern California wildfires and determines that the Utility failed to comply with applicable laws and regulations;
- the timing and outcome of the Butte fire litigation and of any proceeding to recover costs in excess of insurance through regulatory mechanisms and the timing of such recovery; and whether additional investigations and proceedings in connection with the Butte fire will be opened and any additional fines or penalties imposed on the Utility;
- whether PG&E Corporation and the Utility are able to successfully challenge the application of the doctrine of inverse condemnation to investor-owned utilities, and the timing and outcome of pending wildfire legislation;
- the costs of the Utility's insurance and whether the Utility will be able to obtain full recovery of its significantly increased insurance premiums, and the timing of any such recovery;
- whether the Utility can obtain wildfire insurance at a reasonable cost in the future, or at all, and whether insurance coverage is adequate for future losses or claims;
- the timing and outcome of any CPUC decision related to the Utility's March 30, 2018 submissions in connection with the impact of the Tax Cuts and Jobs Act of 2017 on the Utility's rate cases, and its implementation plan;
- the timing and outcomes of the 2019 Gas Transmission and Storage (GT&S) rate case, Transmission Owner (TO) 18 and TO19 rate cases, 2018 CEMA, and other ratemaking and regulatory proceedings;
- the ability of PG&E Corporation and the Utility to access capital markets and other sources of financing in a timely manner on acceptable terms;
- further credit ratings downgrades that could, among other things, result in higher borrowing costs, fewer financing options, and additional collateral posting, especially if PG&E Corporation's or the Utility's credit ratings were to fall below investment grade;
- the cost of the Utility's community wildfire safety program, and the timing and outcome of any proceeding to recover such cost through rates;
- the timing and outcomes of phase two of the ex parte order instituting investigation (OI) and of the safety culture OI;
- the Utility's ability to efficiently manage capital expenditures and its operating and maintenance expenses within the authorized levels of spending and timely recover its costs through rates, and the extent to which the Utility incurs unrecoverable costs that are higher than the forecasts of such costs;
- the outcome of the probation and the monitorship, the timing and outcomes of the debarment proceeding, the Safety and Enforcement Division's (SED) unresolved enforcement matters relating to the Utility's compliance with natural gas-related laws and regulations, and other investigations that have been or may be commenced, and the ultimate amount of fines, penalties, and remedial and other costs that the Utility may incur as a result; and
- the other factors disclosed in PG&E Corporation and the Utility's joint annual report on Form 10-K for the year ended December 31, 2017, their joint quarterly reports on Form 10-Q for the quarters ended March 31, 2018 and June 30, 2018, respectively, and other reports filed with the Securities and Exchange Commission (SEC), which are available on PG&E Corporation's website at [www.pgecorp.com](http://www.pgecorp.com) and on the SEC website at [www.sec.gov](http://www.sec.gov).

About PG&E

ESG Focus

October 2017 Wildfires



# Who Are We?



**PG&E is an investor-owned public energy company providing gas and electric service in Northern and Central California.**



## Our Mission

To safely and reliably deliver affordable and clean energy to our customers and communities every single day, while building the energy network of tomorrow.

## Our Vision

With a sustainable energy future as our North Star, we will meet the challenge of climate change while providing affordable energy for all customers.

## Our Culture

We put safety first.

We are accountable. We act with integrity, transparency and humility.

We are here to serve our customers.

We embrace change, innovation and continuous improvement.

We value diversity and inclusion. We speak up, listen up and follow up.

We succeed through collaboration and partnership. We are one team.

## Utility Business Model

- 1 We are required to **provide service** to all customers in our territory...

*...and in return...*

...we receive an **exclusive franchise**.
- 2 Our investors **provide capital** to fund our operations and meet the state's goals...

*...and in return...*

...they have the opportunity to **earn a fair return** on their investment.

## Key Highlights

Employees	~23,000
Californians served	~16M
Net income (2017)	~\$1.7B
Rate base (2017)	~\$34.4B
Miles of electric lines	~130,000
Miles of natural gas pipelines	~50,000
MW utility-owned generation	~7,700
GWh electricity generated and procured (2017)	~61,400
Carbon-free and renewable energy delivered	~80%

## Focus on Safety and Reliability



- Gas investments (e.g., pipeline replacement, in-line inspection capability)
- Electric investments (e.g., substation upgrades, cable upgrades)
- Generation asset upgrades

## Enabling California's Clean Energy Economy



- Grid modernization
- Renewable integration projects
- Energy efficiency programs
- Energy storage options
- Electric vehicle infrastructure
- State infrastructure modernization (e.g., rail and water projects)

**Sustained  
Investments  
of ~\$6B  
Annually  
Thru 2019**

## About PG&E

### ESG Focus

## October 2017 Wildfires

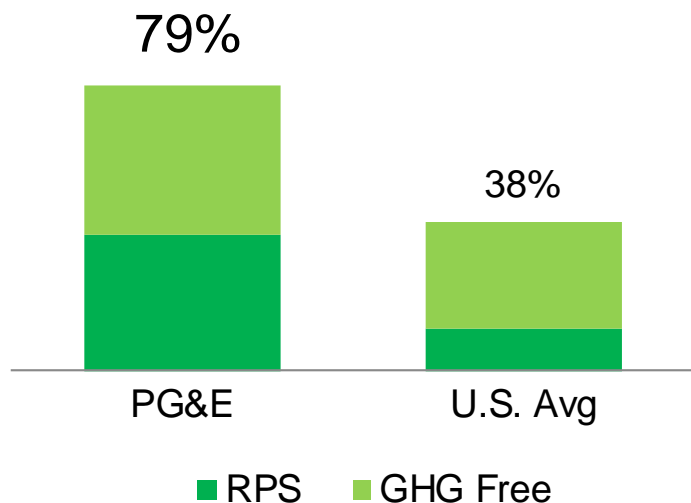




# Sustainability Practices at the Forefront

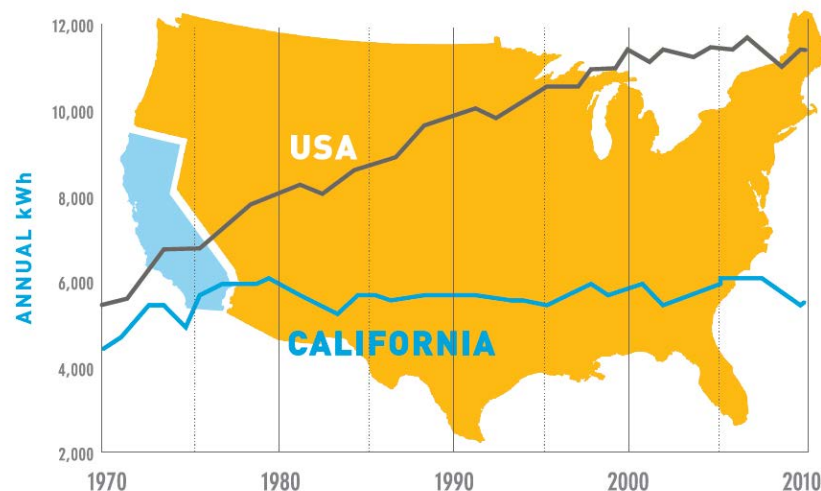


## 2X More Carbon-Free and Renewable Energy Than The U.S. Average



## Shaping California Model for Energy Efficiency

PER CAPITA ELECTRICITY CONSUMPTION



\*Source: U.S. Energy Information Administration

## PG&E Customers Lead the Nation in Clean Technology Adoption

**>360,000 solar customers**

~20% of all U.S. rooftop solar



**More than 165,000 electric vehicles**

~20% of all U.S. electric vehicles



**Top 15 greenest publicly traded companies by Newsweek**

Ranked greenest energy company in the nation

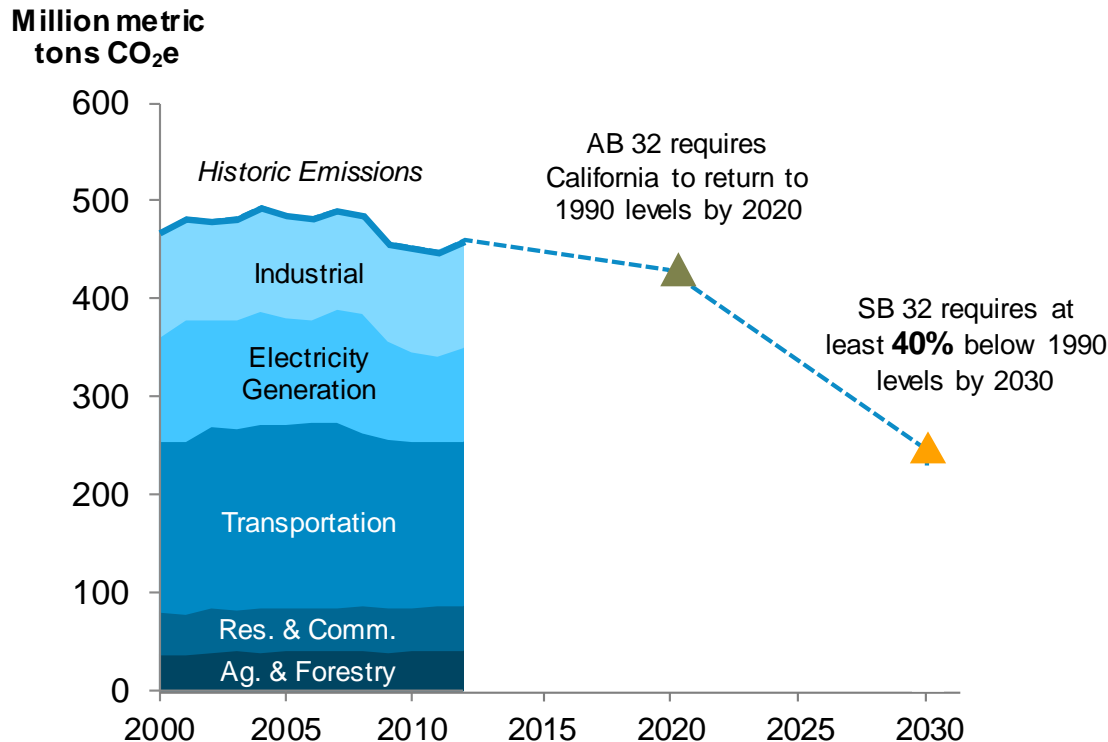




# PG&E Is Critical to California's Climate Goals



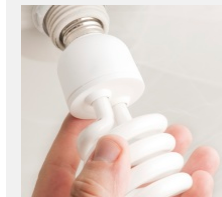
## California Greenhouse Gas Reduction Goals and Historic Emissions\*



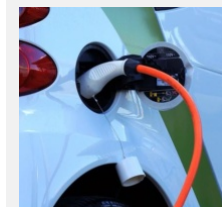
## California Is Targeting:



**50%**  
renewables by 2030



**2X**  
energy efficiency in existing buildings by 2030



**5M**  
zero emission vehicles by 2030

**PG&E is targeting 55% renewables by 2031, which exceeds California's targets**

# PG&E Is Deeply Focused on People



PG&E is making critical investments in our workforce, our communities, and public safety



## Workforce

**15x** consecutive perfect scores and named one of the best places to work in the U.S. by the Human Rights Campaign

**43%** minority workforce compared to utility industry average of 25%

**7%** turnover rate compared to utility industry average of 17.4%



## Community

**\$160 million** in donations since 2010 – \$28 million last year alone – prioritizing underserved communities

**95k hours** of employee volunteerism

**~\$2.6 billion** – or ~40% of total procurement – with businesses owned by women, minorities, service-disabled veterans and LGBTQ individuals



## Safety & Reliability

**>\$25 billion** in investments to enhance and strengthen our electric and gas systems in the last 5 years

**>\$1.6 billion** in our vegetation management programs to reduce wildfire risk since 2013

Since 2010, we've achieved **dramatic improvements** in electric and gas 911 emergency response times, **~99% reduction** in gas leak backlogs and a **~45% reduction** in gas dig-ins

# The Right Board Exercising Effective Oversight



## Effective Board Leadership and Independent Oversight

- **Risk management** central to strategic planning process and performance management
- **92% independent directors**
- **50% diverse** Board representing current and future stakeholders
- **Independent non-executive Chair**
- **Energy and utility expertise** well-represented
- **Key Board committees** comprised exclusively of **independent directors**
- Track record of **Board responsiveness to shareholder interests**
- Governance structures incorporate both **climate and clean energy opportunity management**

## External Sustainability Advisory Council

- Formed external **Sustainability Advisory Council**, whose members include:



**Mindy Lubber**  
*President of Ceres*



**Rose McKinney-James**  
*Board Chair, American Association of Blacks in Energy; former Nevada PSC Commissioner*



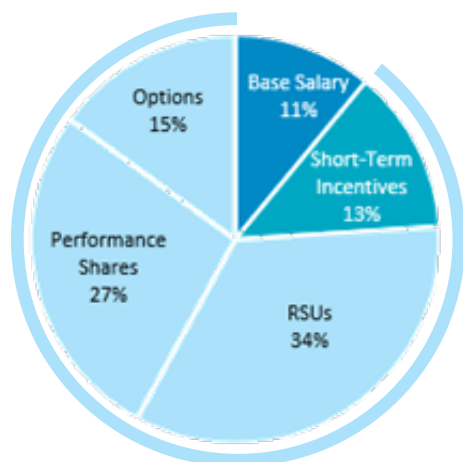
**David Hayes**  
*U.S. Dept. of Interior Deputy Secretary and Chief Operating Officer, former Presidents Obama and Clinton*



**Roland Hwang**  
*Managing Director, Climate and Clean Energy Program, Natural Resources Defense Council*

# Risk Management Central to Compensation

The Board has taken steps since 2010 to more closely tie compensation to performance and shareholder interests



**89% CEO Pay At-Risk**

Component		Performance Metrics		
Base Salary		Determined annually, though merit increase adjustments, or lump sum in lieu of an adjustment, may be made mid-year		
At-Risk Compensation	Short-Term Incentives (Cash)	<b>Safety Component (50%)</b> <ul style="list-style-type: none"> <li>Public Safety</li> <li>Employee Safety</li> </ul>	<b>Customer Component (25%)</b> <ul style="list-style-type: none"> <li>Customer Satisfaction</li> <li>Customer Connection Cycle Time</li> </ul>	<b>Financial Component (25%)</b> <ul style="list-style-type: none"> <li>Earnings from Operations</li> </ul>
	Long-Term Incentive (Equity)	<b>Performance Shares (35%)</b> <ul style="list-style-type: none"> <li>Total Shareholder Return (20%)</li> <li>Safety (10%)</li> <li>Financial (5%)</li> </ul>	<b>Nonqualified Stock Options (20%)</b> <ul style="list-style-type: none"> <li>10-year exercise period</li> <li>Three-year pro-rata vesting</li> </ul>	<b>RSUs – Time-Based Vesting (45%)</b> <ul style="list-style-type: none"> <li>Three-year pro-rata vesting</li> </ul>

## Excellent Internal and External Pay Parity

- CEO pay is **0.53x** peer average and **1.3x** that of the 2<sup>nd</sup> highest active executive

## A Focus on Safety

- Short-Term Incentive Plan (STIP) safety weighting increased from 10% in 2008 up to **50%** starting 2015
- Safety weighting increased in Long-Term Incentive Plan (LTIP) from 0% prior to 2015 to 5% starting 2015, and **10%** starting 2018

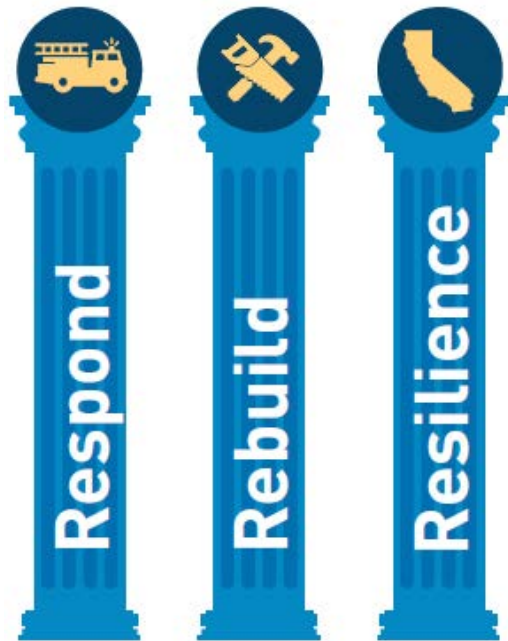
About PG&E

ESG Focus

October 2017 Wildfires



In October 2017, a series of wildfires destroyed homes, buildings and other properties across the North Bay. An extraordinary confluence of climate-driven conditions helped fuel the fires, including exceptionally high winds, low humidity, trees weakened by years of drought and bark beetle infestation, as well as new vegetation growth from the previous wet winter that provided abundant fuel.



## Our strategy is grounded in three pillars:

- 1 **Respond:**
  - Support the effectiveness of first responders
- 2 **Rebuild:**
  - Support fire-impacted communities as they rebuild
- 3 **Resilience:**
  - Support California in climate and infrastructure resilience

### *Inverse Condemnation*

Courts have applied inverse condemnation liability to events associated with investor-owned utility equipment, which means PG&E could be liable for property damages and attorneys' fees even if the company followed established inspection and safety rules.

## Increased wildfire risk necessitates comprehensive solutions to policy and operations

### Regulatory

Updating compliance requirements in high-risk wildfire zones

### Legal

Engaged in multiple forums to challenge the application of inverse condemnation at the trial, appellate, and state supreme court levels

### Legislative

Advocating to address impacts of climate change and the need for comprehensive solutions to help the state adapt to meet the challenges of the “new normal”

### Operations

Taking concrete steps to reduce future wildfire risk by establishing a Wildfire Safety Operations Center, executing enhanced vegetation management practices, and, longer term, hardening our electric system





# Sustainability Initiatives: Recognition



One of Drucker  
Institute's **150  
Best Managed  
U.S. Companies**



Named to list of  
the **100 Best  
Corporate Citizens**



**No. 1** among electric  
and gas utilities and  
**No. 4** overall in the  
United States



**Top company in  
California** and third  
in the nation **for  
energy efficiency**



**EEI Emergency  
Recovery Award** for  
January and February  
2018 winter storms



Ranked **#3** on list of top  
utilities in the country  
for **diversity**



Inclusion on the Dow  
Jones Sustainability  
North America Index



One of America's 50  
most **community-  
minded companies**

**EEI Emergency  
Assistance Award**  
for Hurricane Irma  
response

**EEI Award for  
Outstanding National  
Key Accounts  
Customer Service**

# PG&E Corporation Board of Directors



**C** = Independent Chair    **I** = Independent Director

**Average Tenure: 6.7 yrs.    Average Age: 63 yrs.**

## **C** Geisha Williams (57)



- Director since 2017
- CEO and President, PG&E Corporation

- Committee: Executive

## **C** Richard Kelly (71)



- Director since 2013
- Retired Chairman and CEO, Xcel Energy

- Committees: Audit, Compensation, Executive, Nominating and Governance

## **I** Lewis Chew (55)



- Director since 2009
- EVP & CFO, Dolby Laboratories

- Committees: Audit, Compliance and Public Policy, Executive

## **I** Fred Fowler (72)



- Director since 2012
- Retired Chairman, Spectra Energy Partners

- Other Boards: DCP Midstream Partners, Encana
- Committees: Finance, Safety and Nuclear Oversight

## **I** Roger Kimmel (71)



- Director since 2009
- Vice Chairman, Rothschild

- Other Boards: Endo International
- Committees: Compliance and Public Policy, Executive, Finance, Nominating and Governance

## **I** Richard Meserve (73)



- Director since 2006
- President Emeritus, Carnegie Institution of Washington

- Committees: Compliance and Public Policy, Executive, Nominating and Governance, Safety and Nuclear Oversight

## **I** Forrest Miller (65)



- Director since 2009
- Retired Group President - Corporate Strategy and Development, AT&T

- Committees: Audit, Compensation, Executive

## **I** Benito Minicucci (52)



- Director since 2018
- President and COO, Alaska Airlines

- Committees: Safety and Nuclear Oversight

## **I** Eric Mullins (56)



- Director since 2016
- Co-CEO, Lime Rock Resources

- Other Boards: Anadarko Petroleum
- Committees: Audit, Safety and Nuclear Oversight

## **I** Rosendo Parra (58)



- Director since 2009
- Retired Executive, Dell

- Committees: Compensation, Nominating and Governance, Safety and Nuclear Oversight

## **I** Barbara Rambo (65)



- Director since 2005
- CEO, Taconic Management Services

- Committees: Compensation, Executive, Finance, Nominating and Governance

## **I** Anne Shen Smith (64)



- Director since 2015
- Retired Chairman and CEO, Southern California Gas

- Committees: Compliance and Public Policy, Finance, Safety and Nuclear Oversight

\*Note: All directors of PG&E Corporation are also directors of the Utility; Nickolas Stavropoulos is a director of the Utility but not of PG&E Corporation.

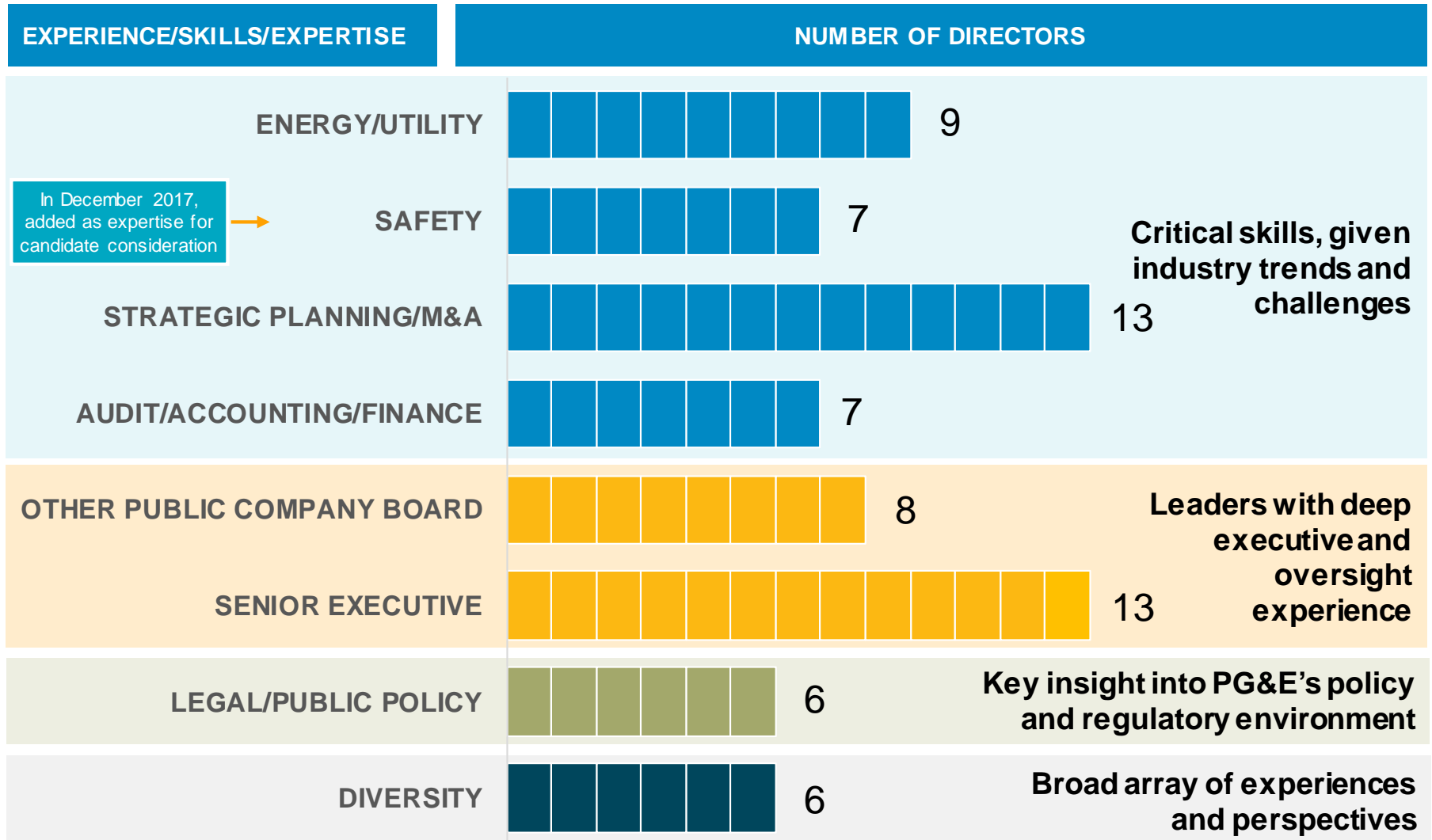
## Effective Board Leadership and Independent Oversight

- **92% independent directors**
- Average tenure **~6.7 years**
- **50%** of the Board is **diverse**
- **Independent non-executive Chair**
- Policy to consider **diversity in director nomination** process
- **Key Board committees** comprised exclusively of **independent directors**
- **Succession planning** for the Board, the CEO, and senior management
- Annual Board and committee **self-evaluations**
- **Regular investor outreach**, including with senior management and select Board members
- **Independent directors meet in executive session** at each regular Board meeting

## Governance Enhancements Since 2010

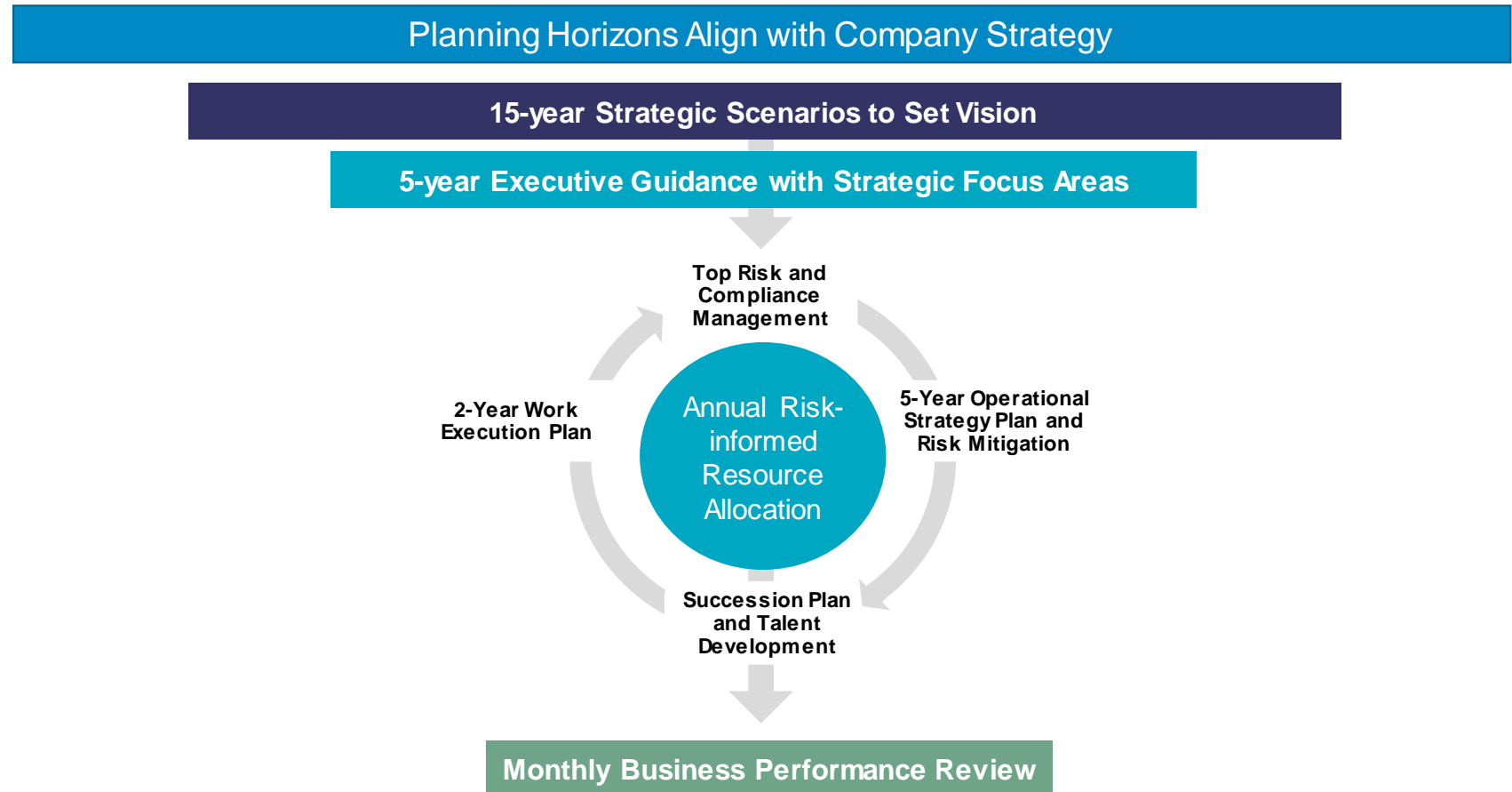
- **Separated Chair and CEO positions**
- Appointed Dick Kelly as **independent non-executive Chair**
- Elected **five new independent directors**
- **Refreshed the composition** of Board committees by appointing new Chairs and members
- Established the **Compliance and Public Policy Committee** and **Safety and Nuclear Oversight Committees**
- Adopted a list of **skills and experience** considered in assessing potential Board candidates, began including **skills matrix** in proxy statement, and added **safety experience** to list
- Adopted policy on **directors' service on other public company boards**
- Adopted **target average tenure** for all directors of 10 years or less
- Adopted **proxy access bylaw provisions**
- Amended governance guidelines to strengthen Board's **open communication with investors**

# Director Skills and Experiences



Note: Matrix includes Nickolas Stavropoulos, who is a director of the Utility but not of PG&E Corporation.

# Board and Management Are Engaged in Strategic Planning Process and Performance Management



## Compensation Program Objectives

- **Performance-Based Pay** – Reflect safety, customer, operational, and financial goals, and long-term shareholder returns, without promoting excessive risk-taking
- **Shareholder Alignment** – A significant component of every officer's compensation is tied directly to PG&E Corporation's performance for shareholders
- **Market-Competitive Compensation Levels** – Target total compensation should be competitive with peer benchmarks

## Our Compensation Practices

- ✓ Tie a significant portion of pay to company performance
- ✓ Discussions with key institutional investors on a regular basis
- ✓ Three-year clawback policy triggered by (1) financial restatement, (2) material miscalculation of performance measure, or (3) fraud or intentional misconduct resulting in material financial or reputational harm to company
- ✓ "Double trigger" change-in-control severance
- ✓ Compensation Committee review of tally sheets and consideration of realizable pay
- ✓ Limited severance benefits
- ✓ Independent compensation consultant; policy regarding consultant independence
- ✓ Share ownership and retention requirements (6x base salary for CEO, 1.5x to 3x for NEOs)

## NOT Our Compensation Practices

- ✗ Generally do not utilize employment contracts
- ✗ Dividends or dividend equivalents are not paid on unvested equity awards
- ✗ Do not reprice options or grant stock appreciation rights
- ✗ Do not provide tax gross-ups, except for limited programs generally available to all management employees
- ✗ Restrict hedging and pledging of company stock
- ✗ Do not grant additional credited service under the Supplemental Executive Retirement Plan