Duke Energy CORP
Form DEF 14A
March 21, 2019

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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

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o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
ý Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material under §240.14a-12

**DUKE ENERGY CORPORATION**

(Name of Registrant as Specified In Its Charter)

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(3) Filing Party:

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# Welcome to the Duke Energy

# Annual Meeting of Shareholders

March 21, 2019

Dear Fellow Shareholders:

I am pleased to invite you to Duke Energy's Annual Meeting to be held on Thursday, May 2, 2019, at 12:30 p.m. Eastern time. We look forward to updating you on our plans for the future of Duke Energy and the progress we have made since our last Annual Meeting. We are excited to once again hold this year's Annual Meeting exclusively via live webcast. This is our third year using the online format. It has been well-received by shareholders and enabled us to use technology to open our Annual Meeting to shareholders all over the world and improve our communications with them while still providing them the same opportunities to vote and ask questions that they have had at previous in-person meetings. As a result of the online format, we are able to connect with more participants and answer more questions than we were able to do at previous in-person meetings.

Once again, you will be able to submit questions in writing in advance of the Annual Meeting on our pre-meeting forum at *proxyvote.com*. An audio broadcast of the Annual Meeting will also be available by phone toll-free at 1.888.254.3590, confirmation code 1907885. Details regarding how to participate in the Annual Meeting via live webcast, as well as the items to be voted on, are more fully described in the accompanying Notice of Annual Meeting of Shareholders and in the Frequently Asked Questions and Answers About the Annual Meeting on page 75 of this proxy statement.

This proxy statement contains details about our strong governance and executive compensation practices and the oversight of Duke Energy's strategy and risks by our Board. The Board has implemented numerous positive changes to our governance practices in recent years, many of which were influenced by the feedback we received from you, our shareholders. These changes are in addition to the progress made on implementing Duke Energy's long-term strategy in 2018, which is further detailed in the 2018 Annual Report that accompanies this proxy statement.

Your participation in the Annual Meeting is important to us. Please review this proxy statement prior to casting your vote as it contains important information relating to the business of the Annual Meeting. Page 1 contains instructions on how you can vote your shares online, by phone, or by mail. It is important that all of our shareholders, regardless of the number of shares owned, participate in the affairs of the Corporation.

Thank you for your continued investment in Duke Energy.

Sincerely,

***Lynn J. Good***
*Chairman, President and CEO*

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# Letter from the Independent Lead Director

Dear Fellow Shareholders:

It is a great honor to serve as Duke Energy's Independent Lead Director. The Board is deeply committed to sound corporate governance, executive compensation, and risk management policies and practices to ensure that Duke Energy operates responsibly, efficiently, and in the best interests of shareholders. In 2018, we continued our annual shareholder engagement program, reaching out to holders of approximately one-third of our outstanding shares. These conversations were in addition to the numerous conversations we have every year with shareholders and stakeholders outside our shareholder engagement program. The feedback we have gathered both in 2018 and in previous years from this program has been instrumental in the Board's deliberations and adoption of our policies, practices, and disclosures.

The focus of our conversations in 2018 involved our corporate strategy and purpose; board oversight of key risk areas, including human capital management and climate change; the composition of our Board; and Duke Energy's environmental and sustainability goals and practices. Members of the Board were present in many of these conversations and feedback from shareholders was discussed by the Board.

I am fortunate to have the privilege of working with a diverse, engaged, and experienced group of directors at Duke Energy. This Board's diversity, not only of race, gender, and ethnicity, but also of experience, background, and skills, provides the Board with the varied opinions and perspectives that are necessary to allow us to actively oversee the most important issues facing Duke Energy. The Board strikes the right balance between fresh perspectives and established experience. Since the 2018 Annual Meeting, we have appointed two new directors, Annette K. Clayton and Marya M. Rose, to the Board. Our directors' diverse mix of ideas and experiences has resulted in a dynamic Board uniquely equipped to lead Duke Energy as it navigates the rapid changes occurring in the utility industry. I have been honored to lead this Board as Independent Lead Director, and to work closely with our Chairman, President and CEO, Lynn Good, who has skillfully positioned Duke Energy as a leader in the industry during this time of change.

We look forward to continuing our dialogue with you at the 2019 Annual Meeting and beyond. On behalf of the entire Board, thank you for your continued support.

Sincerely,

***Michael G. Browning***
*Independent Lead Director*

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# Notice of Annual Meeting of Shareholders

## May 2, 2019

*12:30 p.m. Eastern time*
*Via live webcast at duke-energy.onlineshareholdermeeting.com*

**We will convene Duke Energy's Annual Meeting on Thursday, May 2, 2019, at 12:30 p.m. Eastern time via live webcast at *duke-energy.onlineshareholdermeeting.com*.**

**The purpose of the Annual Meeting is to consider and take action on the following:**

1. Election of directors;

2. Ratification of Deloitte & Touche LLP as Duke Energy's independent registered public accounting firm for 2019;

3. Advisory vote to approve Duke Energy's named executive officer compensation;

4. Four shareholder proposals; and

5. Any other business that may properly come before the meeting (or any adjournment or postponement of the meeting).

Shareholders of record as of the close of business on March 4, 2019, are entitled to vote at the Annual Meeting by visiting *duke-energy.onlineshareholdermeeting.com*. To participate in the Annual Meeting via live webcast, you will need the 16-digit control number, which can be found on your Notice, on your proxy card, and on the instructions that accompany your proxy materials. The Annual Meeting will begin promptly at 12:30 p.m. Eastern time. Online check-in will begin at 12:00 p.m. Eastern time. Please allow ample time for the online check-in process. An audio broadcast of the Annual Meeting will be available by phone toll-free at 1.888.254.3590, confirmation code 1907885.

Holding the Annual Meeting via live webcast allows us to communicate more effectively with more of our shareholders. On our pre-meeting forum at *proxyvote.com*, you can submit questions in writing in advance of the Annual Meeting, access copies of proxy materials, and vote.

This year we again plan to provide our proxy materials to our shareholders electronically. By doing so, most of our shareholders will only receive the Notice containing instructions on how to access the proxy materials electronically and vote online, by phone, or by mail. If you would like to request paper copies of the proxy materials, you may follow the instructions on the Notice. If you receive paper copies of the proxy materials, we ask you to consider signing up to receive these materials electronically in the future by following the instructions contained in this proxy statement. By delivering proxy materials electronically, we can reduce the consumption of natural resources and the cost of printing and mailing our proxy materials.

Please take time to vote now. If you choose to vote by mail, you may do so by marking, dating, and signing the proxy card, and returning it to us. Please follow the voting instructions which can be found on your proxy card. Regardless of the manner in which you vote, we urge and greatly appreciate your prompt response.

**Dated: March 21, 2019**

By order of the Board of Directors,

**David B. Fountain**
*Senior Vice President, Legal, Chief Ethics and Compliance Officer and Corporate Secretary*

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# GLOSSARY OF TERMS

To enhance the readability of this year's proxy statement, we have added a Glossary of Terms beginning on page 80, which includes all defined terms in this proxy statement.

# PARTICIPATE IN THE FUTURE OF DUKE ENERGY; CAST YOUR VOTE NOW

## Vote Now

It is very important that you vote to participate in the future of Duke Energy. NYSE rules state that if your shares are held through a broker, bank, or other nominee, they cannot vote on nondiscretionary matters without your instruction. Even if you plan to participate in this year's Annual Meeting, it is a good idea to vote your shares before the Annual Meeting in the event your plans change. Whether you vote online, by phone, or by mail, please have your Notice, proxy card, or instructions that accompanied your proxy materials available and follow the instructions.

## Eligibility to Vote

You can vote if you were a shareholder of record at the close of business on March 4, 2019.

| By internet | By phone | By mailing your proxy card |
|---|---|---|
| Visit 24/7<br>*proxyvote.com* | Call toll-free 24/7 1.800.690.6903<br>or by calling the number provided<br>by your broker, bank, or other<br>nominee if your shares are not<br>registered in your name | Cast your vote,<br>sign your proxy card,<br>and send free of postage |

## Participate in the Annual Meeting

This year's Annual Meeting will be held exclusively via live webcast enabling shareholders from around the world to participate, submit questions in writing, and vote. Shareholders of record as of the close of business on March 4, 2019, are entitled to participate in and vote at the Annual Meeting by visiting *duke-energy.onlineshareholdermeeting.com*. To participate in the Annual Meeting via live webcast, you will need the 16-digit control number, which can be found on your Notice, on your proxy card, and on the instructions that accompanied your proxy materials. The Annual Meeting will begin promptly at 12:30 p.m. Eastern time. Online check-in will begin at 12:00 p.m. Eastern time. Please allow ample time for the online check-in process. Shareholders may also listen to an audio broadcast of the Annual Meeting by phone toll-free at 1.888.254.3590, confirmation code 1907885.

## Rules of Conduct for the Annual Meeting

Duke Energy has strived to ensure that shareholders at the online only Annual Meeting will have the same rights that they would have had at an in-person meeting and an enhanced opportunity for participation and discourse.

Shareholders who have submitted proposals for the Annual Meeting are given the choice of recording the presentation of their proposal in advance or presenting their proposal live via a third-party operated conference line.

A representative of Broadridge Financial Solutions has been appointed as the independent inspector of elections.

Shareholders who would like to submit questions in writing in advance of the Annual Meeting can do so by visiting our pre-meeting forum at *proxyvote.com* using your 16-digit control number.

Shareholders participating in the Annual Meeting live via webcast may also submit questions in writing during the Annual Meeting.

Questions submitted by shareholders will be read during the Annual Meeting unedited; provided, however, that questions that are of an inappropriate personal nature or that use offensive language will not be read at the Annual Meeting or answered and posted to our website after the Annual Meeting. Questions regarding technical issues related to the Annual Meeting will be referred to technical support personnel to respond separately.

We will post answers to all questions received in advance of or during the Annual Meeting, including those questions that we do not have time to answer during the Annual Meeting, to our website at *duke-energy.com/our-company/investors/financial-news* under "05/02/2019 2019 Annual Meeting of Shareholders." All unedited questions and the answers to those questions, as well as a video replay of the Annual Meeting, will be available on our website until the release of the proxy statement for the 2020 Annual Meeting.

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# PROXY SUMMARY

*This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all the information that you should consider. You should read the entire proxy statement carefully before voting. Page references are supplied to help you find further information in this proxy statement.*

## Voting Matters

| | | More information | Board recommendation | Broker non-votes | Abstentions | Votes required for approval |
|---|---|---|---|---|---|---|
| **PROPOSAL 1** | Election of directors | Page 8 | **FOR** each nominee | Do not count | Do not count | Majority of votes cast, with a resignation policy |
| **PROPOSAL 2** | Ratification of Deloitte & Touche LLP as Duke Energy's independent registered public accounting firm for 2019 | Page 33 | **FOR** | Vote for | Vote against | Majority of shares represented |
| **PROPOSAL 3** | Advisory vote to approve Duke Energy's named executive officer compensation | Page 35 | **FOR** | Do not count | Vote against | Majority of shares represented |
| **PROPOSALS 4-7** | Shareholder proposals | Page 67 | **AGAINST** | Do not count | Vote against | Majority of shares represented |

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## Duke Energy Overview

Headquartered in Charlotte, North Carolina, Duke Energy is one of the largest energy holding companies in the United States. Our Electric Utilities and Infrastructure business serves approximately 7.7 million customers located in six states in the Southeast and Midwest. Our Gas Utilities and Infrastructure business distributes natural gas to approximately 1.6 million customers in the Carolinas, Ohio, Kentucky, and Tennessee. Our Commercial Renewables business operates a growing renewable energy portfolio across the United States. More information about Duke Energy is available at *duke-energy.com*.

## 2018 Business Highlights

2018 was an outstanding year for Duke Energy as we met our near-term financial commitments and positioned the Corporation for sustainable long-term growth. We exceeded our 2018 earnings target and took proactive steps to strengthen our balance sheet. We advanced capital projects and regulatory initiatives that support our 4% to 6% EPS growth trajectory, and addressed key uncertainties, including federal tax reform treatment and North Carolina rate case outcomes. We also continued to advance a growth strategy focused on investments to modernize our energy grid, generate cleaner energy, and expand our natural gas infrastructure all built on a foundation of customer service, operational excellence, and stakeholder engagement. In 2018:

Safety remained our top priority. Our employees delivered strong safety results in 2018, consistent with our industry-leading performance levels from 2016 and 2017. However, we fell short of our target for TICR. We will continue to learn from and use each incident as an opportunity to review and improve enterprise safety practices.

We demonstrated progress on our commitment to generate cleaner energy, including the completion of highly efficient combined cycle natural gas plants in Florida and South Carolina, and the advancement of renewable energy in both our regulated and commercial businesses.

We achieved constructive regulatory outcomes during the year, including the completion of two rate cases in North Carolina. Importantly, the cases addressed cost recovery of coal ash basin closure costs, providing certainty to customers and investors. Across our jurisdictions we made significant progress in addressing tax reform, targeting solutions that provide benefits to customers, and supporting the long-term credit quality of our utilities.

2018 was a year of intense storm activity with Hurricane Florence and Hurricane Michael impacting our service territories. Our employees and utility partners worked tirelessly to restore three million outages during the hurricane season. Consistent with our customer service culture, all employees within our corporate offices assisted in responding to the needs of customers during Hurricane Florence and Hurricane Michael, whether it was in our customer call center or helping assist linemen in the field with logistical issues.

We outperformed our target for reportable environmental events in 2018 and continued to advance our efforts to permanently close coal ash basins in ways that protect people and the environment.

Our 2018 TSR of 7.4% exceeded the TSR of the S&P 500 and the UTY, which was 4.4% and 3.5% respectively in 2018.

During 2018, we increased the dividend payment to our shareholders by approximately 4%, reflecting our confidence in the strength of our businesses. This is the 12th consecutive year of annual dividend growth. 2018 also marked the 92nd consecutive year that Duke Energy has paid a quarterly cash dividend on our common stock, a record we expect to continue for shareholders, who rely on a steady and growing dividend.

## Shareholder Engagement (pages 20 and 36)

As part of our commitment to corporate governance, we have a track record of engaging with shareholders to discuss and obtain their feedback on our corporate governance practices as well as executive compensation, environmental, and social matters of interest to shareholders. During the fall of 2018, we reached out to holders of approximately one-third of our outstanding shares and held meetings with the holders of approximately 20% of our outstanding shares, many of which included participation by members of the Board. The agenda for these conversations spanned a variety of topics including corporate strategy, sustainability, governance, director skills, diversity, and the Board's oversight over key risk areas for Duke Energy, including human capital management and climate change. We also discussed Duke Energy's Climate Report, which was published in 2018, as well as the re-inclusion of the management proposal regarding the amendment to Duke Energy's Amended and Restated Certificate of Incorporation to eliminate its supermajority voting provisions, which failed to receive the necessary shareholder support at both the 2017 and 2018 Annual Meetings.

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## Board Nominees (page 8)

| Name | Age | Gender, Racial or Ethnically Diverse | Director since | Occupation | Independent | Committee Memberships | Other Public Company Boards |
|---|---|---|---|---|---|---|---|
| **Michael G. Browning**<br>Independent Lead Director | 72 | | 2006 | Chairman, Browning Consolidated, LLC | ü | Compensation<br>Corporate Governance (C)<br>Finance and Risk Management | None |
| **Annette K. Clayton** | 55 | ü | 2019 | President and CEO, North America Operations, Schneider Electric SA | ü | Audit<br>Nuclear Oversight | Polaris Industries Incorporated |
| **Theodore F. Craver, Jr.** | 67 | | 2017 | Retired Chairman, President and CEO, Edison International | ü | Audit (C)<br>Finance and Risk Management | Wells Fargo & Company |
| **Robert M. Davis** | 52 | | 2018 | CFO and Executive Vice President, Global Services, Merck & Co., Inc. | ü | Audit | None |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | Finance and Risk Management | |
| **Daniel R. DiMicco** | 68 | | 2007 | Chairman Emeritus, Retired President and CEO, Nucor Corporation | ü | Corporate Governance<br>Nuclear Oversight | Hennessy Capital Acquisition Corp. III |
| **Lynn J. Good**<br>Chairman | 59 | ü | 2013 | Chairman, President and CEO, Duke Energy Corporation | | None | The Boeing Company |
| **John T. Herron** | 65 | | 2013 | Retired President, CEO and Chief Nuclear Officer, Entergy Nuclear | ü | Nuclear Oversight (C)<br>Regulatory Policy and Operations | None |
| **William E. Kennard** | 62 | ü | 2014 | Co-Founder and Non-Executive Chairman, Velocitas Partners, LLC | ü | Corporate Governance<br>Finance and Risk Management | AT&T Inc.<br>Ford Motor Company<br>MetLife, Inc. |
| **E. Marie McKee** | 68 | ü | 2012 | Retired Senior Vice President, Corning Incorporated | ü | Compensation (C) | None |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | Corporate Governance | |
| **Charles W. Moorman IV** | 67 | | 2016 | Senior Advisor, Amtrak | ü | | |
| | | | | | | Nuclear Oversight | Chevron Corporation |
| | | | | | | Regulatory Policy and Operations | Oracle Corporation |
| **Marya M. Rose** | 56 | ü | 2019 | Vice President and Chief Administrative Officer, Cummins Inc. | ü | | |
| | | | | | | Compensation | None |
| | | | | | | Regulatory Policy and Operations | |
| **Carlos A. Saladrigas** | 70 | ü | 2012 | Chairman, Regis HR Group | ü | | |
| | | | | | | Audit | None |
| | | | | | | Compensation | |
| **Thomas E. Skains** | 62 | | 2016 | Retired Chairman, President and CEO, Piedmont Natural Gas Company, Inc. | ü | | |
| | | | | | | Nuclear Oversight | BB&T Corporation |
| | | | | | | Regulatory Policy and Operations | National Fuel Gas Company |
| **William E. Webster, Jr.** | 65 | | 2016 | Retired Executive Vice President, Institute of Nuclear Power Operations | ü | | |
| | | | | | | Nuclear Oversight | None |

Regulatory
Policy and
Operations

(C)
Committee Chair

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* Information provided for director nominees

## Corporate Governance Highlights (page 25)

- ü Ability for shareholders to nominate directors through proxy access
- ü Independent Lead Director with clearly defined role and responsibilities
- ü Majority voting for directors with mandatory resignation policy and plurality carve-out for contested elections
- ü Robust shareholder engagement program
- ü Annual Board, committee, and director assessments
- ü Ability for shareholders to take action by less than unanimous written consent
- ü Ability for shareholders to call a special shareholder meeting
- ü Clearly defined environmental and social initiatives and goals
- ü Annual election of directors
- ü Independent Board committees
- ü Policy to prohibit all hedging and pledging of corporate securities

## Executive Compensation Highlights (page 36)

### Principles and Objectives

Our executive compensation program is designed to:

- Link pay to performance
- Attract and retain talented executive officers and key employees
- Emphasize performance-based compensation to motivate executives and key employees
- Reward individual performance
- Encourage long-term commitment to Duke Energy and align the interests of executives with shareholders

We meet these objectives through the appropriate mix of compensation, including:

- Base salary
- Short-term incentives
- Long-term incentives, consisting of performance shares and RSUs

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## Key Executive Compensation Features (page 40)

- ü Significant stock ownership requirements (6x base salary for the CEO)
- ü Stock holding policy
- ü Incentive compensation tied to a clawback policy
- ü Consistent level of severance protection
- ü Shareholder approval policy for severance agreements
- ü Equity award granting policy
- ü Independent compensation consultant

- ü Annual tally sheets for executive officers
- ü Review and consideration of prior year's "say-on-pay" vote
- ü Do not encourage excessive or inappropriate risk-taking
- ü No tax gross-ups
- ü No "single trigger" severance upon a change in control
- ü No employment agreements except for the CEO
- ü No excessive perquisites
- ü Enhanced disclosure of performance goals, along with continued reporting of actual performance results
- ü Minimum vesting requirement of one year for stock awards, subject to limited exceptions

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# PROPOSAL 1: ELECTION OF DIRECTORS

## The Board of Directors

The Corporate Governance Committee, comprised of only independent directors, has recommended the following current directors as nominees for director, and the Board has approved their nomination for election to serve on the Board. We have a declassified Board which means all the directors are voted on every year at the Annual Meeting.

If any director is unable to stand for election, the Board may reduce the number of directors or designate a substitute. In that case, shares represented by proxies may be voted for a substitute director. We do not expect that any nominee will be unavailable or unable to serve.

In 2018, the Board amended our Principles for Corporate Governance to include a director tenure policy in addition to a retirement policy. The Board believes that it is very important to monitor the Board's composition, skills, and needs in the context of Duke Energy's overall strategy, and, therefore, has approved a range for the Board to consider retirement. Pursuant to this policy, the Board may determine not to nominate a director who has reached the age of 70 or 15 years of service on the Board if, after examining the Board composition and impending Board retirements in light of the Corporation's strategy, the Board determines it is in the best interest of Duke Energy and our shareholders. Similarly, the Board may determine that it is in the best interest of Duke Energy and our shareholders for a director to remain on the Board; however, the Board will not nominate a director for election at the annual meeting in the calendar year following the year of his or her 75th birthday.

### Majority Voting for the Election of Directors

Under Duke Energy's By-Laws, in an uncontested election at which a quorum is present, a director-nominee will be elected if the number of votes cast "FOR" the nominee's election exceeds the number of votes cast as "WITHHOLD" from that nominee's election. Abstentions and broker non-votes do not count. In addition, Duke Energy has a resignation policy in our Principles for Corporate Governance, which requires an incumbent director who has more votes cast as "WITHHOLD" from that nominee's election than votes cast "FOR" his or her election to tender his or her letter of resignation for consideration by the Corporate Governance Committee.

In contested elections, directors will be elected by plurality vote. For purposes of the By-Laws, a "contested election" is an election in which the number of nominees for director is greater than the number of directors to be elected.

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## Board Biographical Information, Skills, and Qualifications

### *Michael G. Browning*

**Independent Director Nominee**
**Independent Lead Director**

**Age**: 72

**Director of Duke Energy since 2006**

Chairman, Browning Consolidated, LLC

**Committees**:

Compensation Committee

Corporate Governance Committee (Chair)

Finance and Risk Management Committee

**Other current public directorships**:

None

Mr. Browning has been Chairman of Browning Consolidated, LLC (and its predecessor), a real estate development firm, since 1981 and served as President from 1981 until 2013. He also serves as owner, general partner, or managing member of various real estate entities. Mr. Browning is a former director of Standard Management Corporation, Conseco, Inc., and Indiana Financial Corporation. Mr. Browning has served as Independent Lead Director since January 1, 2016.

**Skills and qualifications**:

Mr. Browning's qualifications for election include his management experience as well as his knowledge and understanding of customers' needs in Duke Energy's Midwest service territory gained during his long career as the Chairman of Browning Consolidated, a real estate development firm located in Indiana. Mr. Browning's financial and investment expertise adds a valuable perspective to the Board and its committees.

### *Annette K. Clayton*

**Independent Director Nominee**

**Age**: 55

**Director of Duke Energy since 2019**

President and CEO,
North America Operations,
Schneider
Electric SA

**Committees**:

Audit Committee

Nuclear Oversight Committee

**Other current public directorships**:

Polaris Industries Incorporated

Ms. Clayton has been President and CEO of the North America Operations of Schneider Electric, a global electrical equipment manufacturer, and a member of the Executive Committee since June 2016. She also served as Chief Supply Chain Officer from June 2016 until January 2019. From May 2011 to June 2016, she served as Executive Vice President of Schneider Electric and a Member of the Executive Committee, Hong Kong. Prior to her employment at Schneider Electric, Ms. Clayton served at Dell, Inc. as Vice President of Global Supply Chain Operations and Vice President of Dell Americas operations, and at General Motors as President of their Saturn subsidiary, Corporate Vice President of Global Quality and a member of their strategy board.

**Skills and qualifications**:

Ms. Clayton's qualifications for election include her experience as senior management of Schneider Electric overseeing the strategic direction and financial accountability of the North America operations. In her role as President and CEO of Schneider Electric's North America Operations, she has gained experience in customer service through her direct responsibility for the customer call centers, in cybersecurity and technology through Schneider Electric's work with the government on cybersecurity infrastructure, and in environmental and regulatory matters through her oversight of Schneider Electric's Safety and Environment function. These skills uniquely fit the skill sets that benefit Duke Energy in our corporate strategy.

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**PROPOSAL 1: ELECTION OF DIRECTORS**

***Theodore F. Craver, Jr.***

**Independent Director Nominee**

**Age**: 67

**Director of Duke Energy since 2017**

Retired Chairman, President and CEO, Edison International

**Committees**:

Audit Committee (Chair)

Finance and Risk Management Committee

**Other current public directorships**:

Wells Fargo & Company

Mr. Craver was Chairman, President and CEO of Edison International, the parent company of a large California utility and various competitive electric businesses, from 2008 until his retirement in 2016. From 2005 to 2007, Mr. Craver served as CEO of Edison Mission Energy, a subsidiary of Edison International. Prior to his appointment as CEO of Edison Mission Energy, Mr. Craver served as CFO of Edison International from 2000 to 2004. He started at Edison International in 1996 after leaving First Interstate Bancorp where he was Executive Vice President and Corporate Treasurer. Mr. Craver is a former member of the Electricity Subsector Coordinating Council (ESCC), the organization that is the principal liaison between the federal government and the electric power sector responsible for coordinating efforts to prepare for, and respond to, national-level disasters or threats to critical infrastructure. Mr. Craver currently serves as a Senior Advisor to Blackstone's Global Infrastructure Fund and as a Senior Advisor to Bain & Company. He is also a member of the Economic Advisory Council of the Federal Reserve Bank of San Francisco.

**Skills and qualifications**:

Mr. Craver's qualifications for election include his experience as CEO of Edison International, which gives him in-depth knowledge of the utility industry and the regulatory arena, including environmental regulations, as well as his financial and risk management experience obtained as a CFO. Mr. Craver's experience in the industry also gives him a keen awareness of the needs of utility customers during this time of industry change. In addition, Mr. Craver's experience with grid cybersecurity as a member of the Steering Committee of the ESCC gives him insight into this crucial area for Duke Energy. In 2018, he earned the CERT Certificate in Cybersecurity Oversight from the National Association of Corporate Directors.

***Robert M. Davis***

**Independent Director Nominee**

**Age**: 52

**Director of Duke Energy since 2018**

CFO and Executive Vice President, Global Services, Merck & Co., Inc.

**Committees**:

Audit Committee

Finance and Risk Management Committee

**Other current public directorships**:

None

Mr. Davis has been CFO of Merck & Co., a global healthcare company that provides prescription medicines, vaccines, and other health solutions, since April 2014 and CFO and Executive Vice President, Global Services for Merck & Co. since 2016. Prior to Merck & Co., Mr. Davis worked for Baxter International, Inc. as Corporate Vice President and President of Medical Products from 2010 to 2014, Corporate Vice President and President of Baxter International's renal business in 2010, Corporate Vice President and CFO from 2006 to 2010, and Treasurer from 2004 to 2006. Mr. Davis previously served on the board of directors of C.R. Bard until its merger with Becton, Dickinson and Company in December 2017.

**Skills and qualifications**:

Mr. Davis' qualifications for election include his significant experience in regulatory matters, finance, and risk management obtained during his service as the CFO of Merck & Co., as well as his prior experience gained in a variety of management and finance roles at Baxter International. Mr. Davis' legal knowledge, obtained when he earned his Doctor of Jurisprudence, adds additional insight to the Board's discussions of corporate and risk matters. Mr. Davis also has significant experience with technology and cybersecurity obtained during his time as CFO of Merck & Co. and Baxter International where he had direct oversight over those areas. Mr. Davis' experience at Merck & Co. provides valuable insight into navigating an industry undergoing rapid transformation.

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**PROPOSAL 1: ELECTION OF DIRECTORS**

***Daniel R. DiMicco***

**Independent Director Nominee**

**Age**: 68

**Director of Duke Energy since 2007**

Chairman Emeritus, Retired President and CEO, Nucor Corporation

**Committees**:

Corporate Governance Committee

Nuclear Oversight Committee

**Other current public directorships**:

Hennessy Capital Acquisition Corp. III

Mr. DiMicco has served as Chairman Emeritus of Nucor, a steel company, since December 2013. He served as Executive Chairman of Nucor from January 2013 until December 2013 and as Chairman from May 2006 until December 2012. He served as CEO from September 2000 until December 2012 and President from September 2000 until December 2010. Mr. DiMicco was a member of the Nucor board of directors from 2000 until 2013 and is a former chairman of the American Iron and Steel Institute.

**Skills and qualifications**:

Mr. DiMicco's qualifications for election include his management, finance, and risk management experience gained during his time as CEO of a Fortune 500 company, which served many constituencies. In addition, his experience as CEO of Nucor, a large industrial corporation headquartered in North Carolina and with operations in the Midwest, provides a valuable perspective on Duke Energy's industrial customer class as well as extensive knowledge of regulatory issues and environmental regulations in Duke Energy's Carolinas and Midwest service territories.

***Lynn J. Good***

**Non-Independent Director Nominee**
**Chairman**

**Age**: 59

**Director of Duke Energy since 2013**

Chairman, President and CEO, Duke Energy Corporation

**Committees**:

None

**Other current public directorships**:

The Boeing Company

Ms. Good has served as Chairman, President and CEO of Duke Energy since January 1, 2016, and was Vice Chairman, President and CEO of Duke Energy from July 2013 through December 2015. She served as Executive Vice President and CFO of Duke Energy from July 2009 through June 2013. She is a former director of Hubbell Incorporated.

**Skills and qualifications**:

Ms. Good is our Chairman, President and CEO and was previously our CFO. Her extensive financial and risk management background as well as her knowledge of the affairs of Duke Energy and our business make her uniquely suited to lead our Board and Duke Energy. Her many years

of experience in the utility industry, her knowledge of the associated regulatory issues, technologies, environmental regulations, and customer focus, provide valuable resources for the Board.

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**PROPOSAL 1: ELECTION OF DIRECTORS**

***John T. Herron***

**Independent Director Nominee**

**Age**: 65

**Director of Duke Energy since 2013**

Retired President, CEO and Chief Nuclear Officer, Entergy Nuclear

**Committees**:

Nuclear Oversight Committee (Chair)

Regulatory Policy and Operations Committee

**Other current public directorships**:

None

Mr. Herron was President, CEO and Chief Nuclear Officer of Entergy Nuclear, the nuclear operations of Entergy Corporation, an electric utility, from 2009 until his retirement in 2013. Mr. Herron joined Entergy Nuclear in 2001 and held a variety of positions. He began his career in nuclear operations in 1979 and, through his career, held positions at a number of nuclear stations across the country. Mr. Herron is a director of Ontario Power Generation and also has served on the board of directors of INPO.

**Skills and qualifications**:

Mr. Herron's qualifications for election include his knowledge and extensive insight gained as a senior executive in the utility industry, including his three decades of experience in nuclear energy. In addition to his nuclear expertise, during Mr. Herron's career, and particularly during his time as CEO and Chief Nuclear Officer of Entergy Nuclear, he gained significant financial, regulatory, environmental, and risk management expertise as well as an understanding of utility customers. Mr. Herron also had direct responsibility for the management of cybersecurity as CEO and Chief Nuclear Officer of Entergy Nuclear.

***William E. Kennard***

**Independent Director Nominee**

**Age:** 62

**Director of Duke Energy since 2014**

Co-Founder and Non-Executive Chairman, Velocitas Partners, LLC

**Committees**:

Corporate Governance Committee

Finance and Risk Management Committee

**Other current public directorships**:

AT&T Inc.

Ford Motor Company

MetLife, Inc.

Mr. Kennard has been Co-Founder and Non-Executive Chairman of Velocitas Partners, an asset management firm, since November 2014. He also serves as an advisor to Staple Street Capital and Astra Capital Management, both private equity firms. Prior to joining Velocitas Partners, Mr. Kennard served as Senior Advisor to Grain Management from October 2013 until November 2014, United States Ambassador to the European Union from 2009 until August 2013, Managing Director of The Carlyle Group from 2001 until 2009, and Chairman of the Federal Communications Commission (FCC) from 1997 until 2001.

**Skills and qualifications:**

Mr. Kennard's qualifications for election include his considerable experience and knowledge of the regulatory arena from his service as Chairman of the FCC and United States Ambassador, as well as his financial, legal, and risk management knowledge obtained during his career as a lawyer and investor in the technology and telecommunications sector.

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**PROPOSAL 1: ELECTION OF DIRECTORS**

***E. Marie McKee***

**Independent Director Nominee**

**Age:** 68

**Director of Duke Energy since 2012**

Retired Senior Vice President, Corning Incorporated

**Committees**:

Compensation Committee (Chair)

Corporate Governance Committee

**Other current public directorships**:

None

Ms. McKee is a retired Senior Vice President of Corning Incorporated, a manufacturer of components for high-technology systems for consumer electronics, mobile emissions controls, telecommunications, and life sciences. Ms. McKee has over 35 years of experience obtained at Corning, where she held a variety of management positions with increasing levels of responsibility, including Senior Vice President of Human Resources from 1996 until 2010, President of Steuben Glass from 1998 until 2008, and President of The Corning Museum of Glass and The Corning Foundation from 1998 until 2014.

**Skills and qualifications**:

Ms. McKee's qualifications for election include her senior management experience in human resources, which provides her with a thorough knowledge of human capital management and compensation practices. Her prior experience as a senior executive of Corning Incorporated has also given her excellent operating skills and an understanding of environmental regulations and risk management with regard to the manufacturing process, which aids the Board in its oversight of environmental and health and safety matters.

***Charles W. Moorman IV***

**Independent Director Nominee**

**Age**: 67

**Director of Duke Energy since 2016**

Senior Advisor, Amtrak

**Committees**:

Nuclear Oversight Committee

Regulatory Policy and Operations Committee

**Other current public directorships**:

Chevron Corporation

Oracle

Mr. Moorman is Senior Advisor to Amtrak, a passenger rail provider. He has served in this position since January 2018. Prior to that date, Mr. Moorman served as President and CEO of Amtrak since August 2016. Previously, Mr. Moorman served as Chairman and CEO of Norfolk Southern Corporation and was Special Advisor to the CEO of Norfolk Southern from October 2015 until December 31, 2015. Prior to his retirement, he served as Chairman of Norfolk Southern from 2006 until 2015 and as CEO from 2005 until 2015.

**Skills and qualifications**:

Mr. Moorman's qualifications for election include experience in business, regulatory issues, finance, technology, strategy, risk management, and environmental issues as a result of his long career at a large public company in the highly regulated freight and transportation industry, as well as former chair of the Virgina chapter of the Nature Conservancy and as a trustee of the Chesapeake Bay Foundation. His experience with Amtrak also gives him insight into customer needs which is a core focus for Duke Energy.

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**PROPOSAL 1: ELECTION OF DIRECTORS**

***Marya M. Rose***

**Independent Director Nominee**

**Age**: 56

**Director of Duke Energy since 2019**

Vice President and Chief Administrative Officer, Cummins Inc.

**Committees**:

Compensation Committee

Regulatory Policy and Operations Committee

**Other current public directorships**:

None

Ms. Rose has been the Vice President and Chief Administrative Officer of Cummins, a global manufacturer of engines, filtration, and power generation equipment, since August 2011, and is responsible for the communications, marketing, government relations, ethics and compliance, enterprise risk management, facilities, security, corporate responsibility, shared services organization and, until January 2018, the legal function. From 2001 until August 2011, Ms. Rose served as Vice President General Counsel and Corporate Secretary of Cummins. Prior to her employment at Cummins, Ms. Rose was an attorney with Bose McKinney & Evans and a senior aide to two Indiana Governors.

**Skills and qualifications**:

Ms. Rose's qualifications for election include her experience in the role of Chief Administrative Officer, and previously as General Counsel of Cummins, which has given her a background in a number of key areas that are critical to the future success of Duke Energy. In her role as Chief Administrative Officer, she has had direct responsibility for regulatory, environmental, technology, risk management, and customer service areas. In addition, her legal background, including her time as General Counsel and Corporate Secretary of Cummins, will enable her to have unique insights, which she can lend to the Board on legal and corporate governance issues.

***Carlos A. Saladrigas***

**Independent Director Nominee**

**Age**: 70

**Director of Duke Energy since 2012**

Chairman, Regis HR Group

**Committees**:

Audit Committee

Compensation Committee

**Other current public directorships**:

None

Mr. Saladrigas is Chairman of Regis HR Group, which offers a full suite of outsourced human resources services to small and midsized businesses. He has served in this position since July 2008. Mr. Saladrigas served as Chairman of Concordia Healthcare Holdings, LLC, which specializes in managed behavioral health, from 2011 until 2017. Prior to joining Regis HR Group and Concordia Healthcare Holdings, LLC, he served as Vice Chairman from 2007 until 2008, and as Chairman from 2002 until 2007 of Premier American Bank. Mr. Saladrigas served as CEO of ADP Total Source (previously the Vincam Group, Inc.) from 1984 until 2002.

**Skills and qualifications**:

Mr. Saladrigas' qualifications for election include his extensive expertise in human capital management, risk management, regulatory matters and finance obtained during his long management career in the human resources services field. His understanding of Duke Energy's Florida service territory gives the Board insight into customer needs in this important service territory for Duke Energy.

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**PROPOSAL 1: ELECTION OF DIRECTORS**

***Thomas E. Skains***

**Independent Director Nominee**

**Age**: 62

**Director of Duke Energy since 2016**

Retired Chairman, President and CEO, Piedmont Natural Gas Company, Inc.

**Committees**:

Nuclear Oversight Committee

Regulatory Policy and Operations Committee

**Other current public directorships**:

BB&T Corporation

National Fuel Gas Company

Mr. Skains was Chairman, President and CEO of Piedmont, a regional natural gas distributor, until his retirement in 2016. He served as Chairman of Piedmont from December 2003 until October 2016, CEO from February 2003 until October 2016, and as President from February 2002 until October 2016. Previously, he served as Chief Operating Officer of Piedmont from February 2002 until February 2003. From 1995 until 2002, he served as Senior Vice President, Marketing and Supply Services and directed Piedmont's commercial natural gas activities.

**Skills and qualifications**:

Mr. Skains' qualifications for election include his financial and risk management expertise and public company governance and strategy gained during his time as Chairman, President and CEO of Piedmont. His time at Piedmont also provided him with in-depth knowledge of the natural gas industry, the environmental regulations related to the industry, and the needs of natural gas customers, which is helpful to Duke Energy as it expands into the natural gas arena since the acquisition of Piedmont. His prior experience as a corporate energy attorney also gives Mr. Skains insight on legal and regulatory compliance matters.

***William E. Webster, Jr.***

**Independent Director Nominee**

**Age**: 65

**Director of Duke Energy since 2016**

Retired Executive Vice President, Institute of Nuclear Power Operations

**Committees**:

Nuclear Oversight Committee

Regulatory Policy and Operations Committee

**Other current public directorships**:

None

Mr. Webster was Executive Vice President of Industry Strategy for INPO, a non-profit organization that promotes the highest levels of safety and reliability in the operation of commercial nuclear power plants, until his retirement in June 2016. Mr. Webster has 34 years of experience obtained at INPO where he held a variety of management positions in the Industry Evaluations, Plant Support, Engineering Support, and Plant Analysis and Emergency Preparedness divisions prior to his retirement. Mr. Webster currently serves as the Chairman of the Japan Nuclear Safety Institute.

**Skills and qualifications**:

Mr. Webster's qualifications for election include the extensive knowledge he gained during his 34 years in the nuclear industry, including exposure to environmental laws, regulatory expertise as well as unique insight into best practices in engineering and risk management, which is an asset to the Board and its committees.

## The Board of Directors Recommends a Vote "FOR" Each Nominee.

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# INFORMATION ON THE BOARD OF DIRECTORS

## Our Board Leadership Structure

The Board regularly evaluates the leadership structure of Duke Energy and may consider alternative approaches, as appropriate, over time. Though the Board is currently structured with a combined Chairman and CEO, the Board believes that Duke Energy and our shareholders are best served by the Board retaining discretion to determine the appropriate leadership structure based on what it believes is best for Duke Energy at a particular point in time, including whether the same individual should serve as both Chairman and CEO, or whether the roles should be separate.

Lynn J. Good serves as Duke Energy's Chairman, President and CEO. Our Board believes that combining the Chairman and CEO roles fosters clear accountability, effective decision-making, and execution of corporate strategy.

Michael G. Browning serves as our Independent Lead Director and has served in that role since January 2016. Mr. Browning's responsibilities, which meet the latest corporate governance standards set by the National Association of Corporate Directors, include:

- leading, in conjunction with the Corporate Governance Committee, the process for the review of the CEO;
- leading, in conjunction with the Corporate Governance Committee, the Board, committee, and individual director self-assessment review process;
- presiding at the executive sessions of the independent members of the Board;
- assisting the Chairman and the CEO in setting, reviewing, and approving agendas and schedules of Board meetings;
- calling meetings of the independent members of the Board when necessary and appropriate;
- developing topics for discussion during executive sessions of the Board;
- assisting the Chairman and the CEO to promote the efficient and effective performance and functioning of the Board; and
- being available for consultation and direct communication with our major shareholders.

A complete list of the responsibilities of our Independent Lead Director is included in our Principles for Corporate Governance, a copy of which is posted on our website at *duke-energy.com/our-company/investors/corporate-governance/principles-corp-governance.*

## Independence of Directors

The Board has determined that none of the directors, other than Ms. Good, has a material relationship with Duke Energy or any of our subsidiaries, and all are, therefore, independent under the listing standards of the NYSE and the rules and regulations of the SEC.

In making the determination regarding each director's independence, the Board considered all transactions and the materiality of any relationship with Duke Energy and our subsidiaries in light of all facts and circumstances.

The Board may determine a director to be independent if it has affirmatively determined that the director has no material relationship with Duke Energy or our subsidiaries, either directly or as a shareholder, director, officer, or employee of an organization that has a relationship with Duke Energy or our subsidiaries. Independence determinations are generally made when a director joins the Board and on an annual basis at the time the Board approves director-nominees for inclusion in the proxy statement.

The Board also considers its Standards for Assessing Director Independence, which set forth certain relationships between Duke Energy and our directors and their immediate family members, or affiliated entities, that the Board, in its judgment, has deemed to be immaterial for purposes of assessing a director's independence. Duke Energy's Standards for Assessing Director Independence are linked on our website at *duke-energy.com/our-company/investors/corporate-governance/board*. In the event a director has a relationship with Duke Energy that is not addressed in the Standards for Assessing Director Independence, the Corporate Governance Committee, which is composed entirely of independent members of the Board, reviews the relationship and makes a recommendation to the independent members of the Board who determine whether such relationship is material.

For Ms. Clayton, the Board considered a relationship between Duke Energy and Schneider Electric, at which she is employed as an executive officer, for the purchase of goods and services by Duke Energy, which are not material to either Duke Energy or Schneider Electric. The Board determined that Ms. Clayton had no direct or indirect material interest in the transactions between Duke Energy and Schneider Electric and that such transactions were in the best interests of the shareholders of Duke Energy as they have been entered into in the ordinary course of business on terms that are negotiated on an arm's length basis. In addition, with respect to Ms. Rose, the Board considered a relationship between Duke Energy and Cummins, at which Ms. Rose serves as an executive officer. The Board

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determined that Ms. Rose had no direct or indirect material interest in the transactions for the purchase of electrical equipment and other Cummins products by Duke Energy and that such transactions were in the best interests of shareholders and entered into in the ordinary course of business on terms that are negotiated on an arm's length basis.

## Director Attendance

The Board met five times during 2018 and has met twice so far in 2019. The overall attendance percentage for our directors was approximately 98% in 2018, and all directors attended more than 75% of the Board meetings and the meetings of the committees upon which he or she served in 2018. Directors are encouraged to attend the Annual Meeting. All directors who were directors at the time of last year's Annual Meeting on May 3, 2018, attended the 2018 Annual Meeting.

## Board and Committee Assessments

Each year the Board, with the assistance of the Corporate Governance Committee, conducts an assessment of the Board, each of its committees and the directors. The assessment process is facilitated by a third-party advisor, which allows directors to provide anonymous feedback and promotes candidness among the directors. The results of the feedback are presented to the Board and committees and discussed.

In addition to the written assessments, the Independent Lead Director annually takes the opportunity to meet with each of the directors separately to discuss the performance of the Board and to obtain advice on areas of improvement for the Board and the individual directors. Our Board is committed to effective board succession planning and refreshment, including having honest and difficult conversations, as may be deemed necessary, with individual directors.

Management and the Board then incorporate the feedback received in both the written assessments and the discussions throughout the year. This annual review process and discussion provides continuous improvement in the overall effectiveness of the directors, committees, and Board and provides an opportunity for directors to express any concerns they may have. This process also allows the Board to identify opportunities for Board succession and skills.

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**INFORMATION ON THE BOARD OF DIRECTORS**

## Board Role in Management Succession

The independent directors of the Board are actively involved in our management succession planning process. Among the Corporate Governance Committee's responsibilities described in its charter is to oversee continuity and succession planning. At least annually, the Corporate Governance Committee or full Board reviews the CEO succession plan and makes recommendations to the Board for the successor to the CEO. The Corporate Governance Committee also reports to the Board any concerns or issues that might indicate that organizational strengths are not equal to the requirements of long-range goals and oversees the evaluation of the CEO.

## Board Oversight of Risk

As is true with other large public companies, Duke Energy faces a myriad of risks, including operational, financial, strategic, and reputational risks that affect every segment of our business. The Board is actively involved in the oversight of these risks in several ways. This oversight is conducted primarily through the Finance and Risk Management Committee of the Board but also through the other committees of the Board, as appropriate. The Finance and Risk Management Committee reviews Duke Energy's enterprise risk program with management, including the Chief Risk Officer, on a regular basis at its committee meetings. The enterprise risk program includes the identification of a broad range of risks that affect Duke Energy, their probabilities and severity, and incorporates a review of our approach to managing and prioritizing those risks based on input from the officers responsible for the management of those risks.

Each committee of the Board is responsible for the oversight of certain areas of risk that pertain to that committee's area of focus. Throughout the year, each committee chair reports to the full Board regarding the committee's considerations and actions related to the risks within its area of focus. Each committee regularly receives updates from the business units in that committee's area of focus to review the risks in those areas.

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**INFORMATION ON THE BOARD OF DIRECTORS**

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**INFORMATION ON THE BOARD OF DIRECTORS**

# Shareholder Engagement

We conduct extensive governance reviews and investor outreach so that management and the Board understand and consider the issues that matter most to our shareholders and address them effectively. In 2018, we reached out to holders of approximately one-third of Duke Energy's outstanding shares, and members of our Board and management met with holders of approximately 20% of Duke Energy's outstanding shares. We engaged with every shareholder who accepted our offer to meet as well as every shareholder who requested to meet with our Board.

During 2018, Duke Energy engaged with shareholders on numerous topics, including executive compensation matters, sustainability, and governance issues. Shareholder feedback has been invaluable to us in enhancing our governance and compensation policies and related disclosures. During the fall of 2018, we focused our engagements with shareholders on corporate strategy, sustainability, and governance such as director skills, diversity, and the Board's oversight over key risk areas for Duke Energy, including human capital management and climate change. We also discussed Duke Energy's Climate Report which was published in 2018 for which we received very positive feedback. In addition, we sought feedback from our shareholders regarding the proposed amendment to Duke Energy's Amended and Restated Certificate of Incorporation to eliminate its supermajority voting provisions, which was recommended for approval by the Board at both the 2017 and 2018 Annual Meetings. Additional information on our discussions with shareholders regarding executive compensation matters is provided on page 36 of this proxy statement.

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## Board of Directors Committees

**BOARD COMMITTEE MEMBERSHIP ROSTER**

| Name | Audit | Compensation | Corporate Governance | Finance and Risk Management | Nuclear Oversight | Regulatory Policy and Operations |
|---|---|---|---|---|---|---|
| Michael G. Browning | | | C | | | |
| Annette K. Clayton | | | | | | |
| Theodore F. Craver, Jr. | C | | | | | |
| Robert M. Davis | | | | | | |
| Daniel R. DiMicco | | | | | | |
| John H. Forsgren(1) | | | | C | | |
| Lynn J. Good | | | | | | |
| John T. Herron | | | | | C | |
| James B. Hyler, Jr.(1) | | | | | | C |
| William E. Kennard | | | | | | |
| E. Marie McKee | | C | | | | |
| Charles W. Moorman IV | | | | | | |
| Marya M. Rose | | | | | | |
| Carlos A. Saladrigas | | | | | | |
| Thomas E. Skains | | | | | | |
| William E. Webster, Jr. | | | | | | |

C
Committee Chair

(1)
Retiring at the Annual Meeting

The Board has the six standing, permanent committees described below:

### Audit Committee

Eight meetings held in 2018

**Committee Members**

Theodore F. Craver, Jr., Chair*
Annette K. Clayton*
Robert M. Davis*
James B. Hyler, Jr.*
Carlos A. Saladrigas*

* Designated as an Audit Committee

Financial Expert by the Board

Theodore F. Craver, Jr.

The *Audit Committee* considers risks and matters related to financial reporting, internal controls, compliance, legal matters, and cybersecurity and technology matters.

As part of its responsibilities, the Audit Committee selects and retains an independent registered public accounting firm to conduct audits of the accounts of Duke Energy and our subsidiaries. It also reviews with the independent registered public accounting firm the scope and results of their audits, as well as the accounting procedures, internal controls, and accounting and financial reporting policies and practices of Duke Energy and our subsidiaries, and makes reports and recommendations to the Board as it deems appropriate.

The Audit Committee is responsible for approving all audit and permissible non-audit services provided to Duke Energy by our independent registered public accounting firm. Pursuant to this responsibility, the Audit Committee adopted the policy on Engaging the Independent Auditor for Services, which provides that the Audit Committee will establish detailed services and related fee levels that may be provided by the independent registered public accounting firm. See page 33 for additional information on the Audit Committee's preapproval policy.

The Board has determined that each of the members are "Audit Committee Financial Experts" as such term is defined in Item 407(d)(5)(ii) of Regulation S-K. See pages 9, 10, and 14 for a description of their business experience for Ms. Clayton, Mr. Craver, Mr. Davis, and Mr. Saladrigas, who are nominated for election at the Annual Meeting.

Each of the members has also been determined to be "independent" within the meaning of the NYSE's listing standards, Rule 10A-3 of the Exchange Act and Duke Energy's Standards for Assessing Director Independence. In addition, each of the members meets the financial literacy requirements for audit committee membership under the NYSE's rules and the rules and regulations of the SEC.

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**INFORMATION ON THE BOARD OF DIRECTORS**

## Compensation Committee

Five meetings held in 2018

**Committee Members**
E. Marie McKee, Chair
Michael G. Browning
John H. Forsgren
Marya M. Rose
Carlos A. Saladrigas

E. Marie McKee

The *Compensation Committee* establishes and reviews our overall compensation philosophy, 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 certain equity grants and delegates authority to approve others, and reviews the effectiveness of, and approves changes to, compensation programs. The Compensation Committee also makes recommendations to the Board on compensation for independent directors.

Management's role in the compensation-setting process is to recommend compensation programs and assemble information as required by the committee. When establishing the compensation program for our NEOs, the committee considers input and recommendations from management, including Ms. Good, who attends the Compensation Committee meetings.

The Compensation 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 Committee and is not permitted to provide any services to Duke Energy other than at the direction of the Compensation Committee.

Each of the members of the Compensation Committee has been determined to be "independent" within the meaning of the NYSE's listing standards, Rule 10C-1(b) of the Exchange Act, and Duke Energy's Standards for Assessing Director Independence.

*Compensation Committee Interlocks and Insider Participation*. During 2018, Ms. McKee, Mr. Browning, Mr. Forsgren, and Mr. Saladrigas served as members of the Compensation Committee. Ms. Rose joined the Compensation Committee in March 2019. During 2018, none of the Compensation Committee members were officers or employees of Duke Energy, a former officer of Duke Energy, or had any business relationships requiring review and disclosure under our Related Person Transactions Policy. Furthermore, none of our executive officers served as a director or member of the compensation committee (or other committee of the Board performing equivalent functions) of another entity where an executive officer of such entity served as a director of Duke Energy or on our Compensation Committee.

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## Corporate Governance Committee

Five meetings held in 2018

**Committee Members**
Michael G. Browning, Chair
Daniel R. DiMicco
William E. Kennard
E. Marie McKee

Michael G. Browning

The *Corporate Governance Committee* considers risks and matters related to corporate governance and our policies and practices with respect to political activities, community affairs, and sustainability.

It recommends the size and composition of the Board and its committees and recommends potential CEO successors to the Board.

The Corporate Governance Committee also recommends to the Board the slate of nominees, including any nominees recommended by shareholders, for director at each year's Annual Meeting and, when vacancies occur, names of individuals who would make suitable directors of Duke Energy. This committee may engage an external search firm or a third party to identify, evaluate, or to assist in identifying or evaluating, a potential nominee.

The Corporate Governance Committee performs an annual evaluation of the performance of the CEO with input from the full Board. The Corporate Governance Committee assists the Board in its annual determination of director independence and review of any related person transactions as well as the Board's annual assessment of the Board and each of its committees.

Each of the members of the Corporate Governance Committee has been determined to be "independent" within the meaning of the NYSE's listing standards and Duke Energy's Standards for Assessing Director Independence.

## Finance and Risk Management Committee

Six meetings held in 2018

**Committee Members**

John H. Forsgren, Chair
Michael G. Browning
Theodore F. Craver, Jr.
Robert M. Davis
William E. Kennard

John H. Forsgren

The *Finance and Risk Management Committee* is primarily responsible for the oversight of financial risk and enterprise risk at Duke Energy. This oversight function includes reviews of our financial and fiscal affairs and recommendations to the Board regarding dividends, financing and fiscal policies, and significant transactions.

It reviews the financial exposure of Duke Energy, as well as mitigation strategies, reviews Duke Energy's enterprise risk exposures and provides oversight for the process to assess and manage enterprise risk, and reviews the financial impacts of major projects as well as capital expenditures.

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**INFORMATION ON THE BOARD OF DIRECTORS**

## Nuclear Oversight Committee

Four meetings held in 2018

**Committee Members**
John T. Herron, Chair
Annette K. Clayton
Daniel R. DiMicco
Charles W. Moorman IV
Thomas E. Skains
William E. Webster, Jr.

John T. Herron

The *Nuclear Oversight Committee* provides oversight of the nuclear safety, operational and financial performance as well as operational risks, long-term plans, and strategies of Duke Energy's nuclear power program. The oversight role is one of review, observation, and comment and in no way alters management's authority, responsibility, or accountability.

The Nuclear Oversight Committee visits each of Duke Energy's operating nuclear power stations over a two-year period and reviews the station's nuclear safety, operational, and financial performance.

## Regulatory Policy and Operations Committee

Four meetings held in 2018

**Committee Members**
James B. Hyler, Jr., Chair
John T. Herron
Charles W. Moorman IV
Marya M. Rose
Thomas E. Skains
William E. Webster, Jr.

James B. Hyler, Jr.

The *Regulatory Policy and Operations Committee* provides oversight of Duke Energy's regulatory and legislative strategy impacting utility operations in each jurisdiction.

The Committee also has oversight over environmental, health, and safety matters, and the risks related to such matters, including our ash management strategy, as well as the public policies and practices of Duke Energy. This includes reviewing Duke Energy's

regulatory approach to strategic initiatives, the operational performance of Duke Energy's utilities with regard to energy supply, delivery, fuel procurement, and transportation, and making visits to Duke Energy's generation facilities.

The Regulatory Policy and Operations Committee is also responsible for the oversight of Duke Energy's environmental, health, and safety goals and policies.

**Each committee operates under a written charter adopted by the Board. The charters are posted on our website at *duke-energy.com/our-company/investors/corporate-governance/board-committee-charters*.**

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# REPORT OF THE CORPORATE GOVERNANCE COMMITTEE

The following is the report of the Corporate Governance Committee with respect to its philosophy, responsibilities, and initiatives.

## Philosophy and Responsibilities

We believe that sound corporate governance has three components: (i) Board independence, (ii) processes and practices that foster sound decision-making by both management and the Board, and (iii) balancing the interests of all of our stakeholders our investors, customers, employees, the communities we serve, and the environment. The Corporate Governance Committee's charter is available on our website at *duke-energy.com/our-company/investors/corporate-governance/board-committee-charters/corporate-governance* and is summarized below. Additional information about the Corporate Governance Committee and its members is detailed on page 23 of this proxy statement.

**Membership.** The committee must be comprised of three or more members, all of whom must qualify as independent directors under the listing standards of the NYSE and other applicable rules and regulations.

**Responsibilities.** The committee's responsibilities include, among other things: (i) implementing policies regarding corporate governance matters, (ii) assessing the Board's membership needs and recommending nominees, (iii) recommending to the Board those directors to be selected for membership on, or removal from, the various Board committees and those directors to be designated as chairs of Board committees, (iv) sponsoring and overseeing annual performance evaluations for the various Board committees, including the Corporate Governance Committee, the Board and the CEO, (v) overseeing Duke Energy's political expenditures and activities pursuant to the Political Expenditures Policy, (vi) reviewing our charitable contributions and community service policies and practices, and (vii) reviewing Duke Energy's policies, programs, and practices with regard to sustainability. The committee may also conduct or authorize investigations into or studies of matters within the scope of the committee's duties and responsibilities, and may retain, at Duke Energy's expense, and in the committee's sole discretion, consultants to assist in such work as the committee deems necessary.

## Governance Policies

All of the Board committee charters, as well as our Principles for Corporate Governance, Code of Business Ethics for Employees, and Code of Business Conduct & Ethics for Directors, are available on *our website at duke-energy.com/our-company/investors/corporate-governance.*

Any amendments to or waivers from our Code of Business Ethics for Employees with respect to executive officers or Code of Business Conduct & Ethics for Directors must be approved by the Board and will be posted on our website. During 2018, our Board held executive sessions with only independent directors during each of the four regularly scheduled meetings.

## Board Composition

**Director Qualifications and Diversity.** The Board recognizes that a diverse Board, management, and workforce is key to Duke Energy's success and believes that diversity of background, skill sets, experience, thought, ethnicity, race, gender, age, and nationality, are important considerations in selecting candidates. This commitment to diversity is evidenced in the backgrounds, skills, and qualifications of the directors who have been nominated, as well as the diversity of Duke Energy's executives and workforce, starting with our Chairman, President and CEO, Lynn J. Good, who was selected by the Board to lead Duke Energy in 2013, and the diverse senior management team that reports to her.

The Board strives to have a diverse Board representing a range of experiences and qualifications in areas that are relevant to Duke Energy's business and strategy. As part of the search process, the committee looks for the most qualified candidates, including women and minorities, with the following characteristics:

- fundamental qualities of intelligence, perceptiveness, good judgment, maturity, high ethics and standards, integrity, and fairness;
- a genuine interest in Duke Energy and a recognition that, as a member of the Board, one is accountable to the shareholders of Duke Energy, not to any particular interest group;

a background that includes broad business experience or demonstrates an understanding of business and financial

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**REPORT OF THE CORPORATE GOVERNANCE COMMITTEE**

affairs and the complexities of a large, multifaceted, global business organization;

diversity among the existing Board members, including racial and ethnic background, gender, experiences, skills, and qualifications;

present or former CEO, chief operating officer or substantially equivalent level executive officer of a highly complex organization such as a corporation, university or major unit of government, or a professional who regularly advises such organizations;

no conflict of interest or legal impediment which would interfere with the duty of loyalty owed to Duke Energy and our shareholders;

the ability and willingness to spend the time required to function effectively as a director;

compatibility and ability to work well with other directors and executives in a team effort with a view to a long-term relationship with Duke Energy as a director;

independent opinions and willingness to state them in a constructive manner; and

willingness to become a shareholder of Duke Energy (within a reasonable time of election to the Board).

**Director Candidate Recommendations.** The committee may engage a third party from time to time to assist it in identifying and evaluating director-nominee candidates, in addition to current members of the Board standing for re-election. The committee will provide the third party, based on the profile described above, the characteristics, skills, and experiences that may complement those of our existing members. The third party will then provide recommendations for nominees with such attributes. The committee considers nominees recommended by shareholders on a similar basis, taking into account, among other things, the profile criteria described above and the nominee's experiences and skills. In addition, the committee considers the shareholder-nominee's independence with respect to both Duke Energy and the recommending shareholder. All of the nominees on the proxy card are current members of our Board and were recommended by the committee.

Shareholders interested in submitting nominees as candidates for election as directors must provide timely written notice to the Corporate Governance Committee, c/o David B. Fountain, Senior Vice President, Legal, Chief Ethics and Compliance Officer and Corporate Secretary, Duke Energy Corporation, DEC 48H, P.O. Box 1414, Charlotte, NC 28201-1414. The written notice must set forth, as to each person whom the shareholder proposes to nominate for election as director:

the name and address of the recommending shareholder(s), and the class and number of shares of common stock of Duke Energy that are beneficially owned by the recommending shareholder(s);

a representation that the recommending shareholder(s) is a holder of record of common stock of Duke Energy entitled to vote at the Annual Meeting and intends to attend the Annual Meeting remotely or by proxy to nominate the person(s) specified in the written notice;

the name, age, business address, principal occupation, and employment of the recommended nominee;

any information relevant to a determination of whether the recommended nominee meets the criteria for Board membership established by the Board and/or the Corporate Governance Committee;

any information regarding the recommended nominee relevant to a determination of whether the recommended nominee would be considered independent under the applicable NYSE rules and SEC rules and regulations;

a description of any business or personal relationship between the recommended nominee and the recommending shareholder(s), including all arrangements or understandings between the recommended nominee and the recommending shareholder(s) and any other person(s) (naming such person(s)) pursuant to which the nomination is to be made by the recommending shareholder(s);

a statement, signed by the recommended nominee, (i) verifying the accuracy of the biographical and other information about the nominee that is submitted with the recommendation, (ii) affirming the recommended nominee's willingness to be a director, and (iii) consenting to serve as a director if so elected;

if the recommending shareholder(s) has beneficially owned more than 5% of Duke Energy's common stock for at least one year as of the date the recommendation is made, evidence of such beneficial ownership as specified in the rules and regulations of the SEC;

if the recommending shareholder(s) intends to solicit proxies in support of such recommended nominee, a representation to that effect; and

all other information relating to the recommended nominee that is required to be disclosed in solicitations for proxies in an election of directors pursuant to Regulation 14A under the Exchange Act, including, without limitation, information regarding, (i) the recommended nominee's business experience, (ii) the class and number of shares of capital stock of Duke Energy, if any, that are beneficially owned by the recommended nominee, and (iii) material relationships or transactions, if any, between the recommended nominee and Duke Energy's management.

**Director Candidate Nominations through Proxy Access.** In order to nominate a director pursuant to our proxy access provision, shareholders who meet the eligibility and other requirements set forth in Section 3.04 of the Corporation's By-Laws must send a written notice to the Corporate Governance Committee, c/o David B. Fountain, Senior Vice President, Legal, Chief Ethics and Compliance Officer and Corporate Secretary, Duke Energy Corporation, DEC 48H, P.O. Box 1414, Charlotte, NC 28201-1414. The written notice must provide the information set forth above, as well as the

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other detailed requirements set forth in Section 3.04 of the Corporation's By-Laws, which can be located on our *website at duke-energy.com/our-company/investors/corporate-governance.*

## New Directors Since the 2018 Annual Meeting

Following the 2018 Annual Meeting, and in consideration of the anticipated retirements of members of the Board in 2019, the Corporate Governance Committee sought to recruit additional Board members. The committee worked extensively in 2018 on identifying candidates whose qualifications align with the desired qualifications discussed earlier and the needs of the Board considering the priorities and issues facing Duke Energy, our long-term strategy, and our board refreshment goals. As a result, after working with an independent search firm, the committee identified a number of candidates with the desired experience, diversity, skills, and other qualifications, to make for a well-balanced Board. In December 2018, the committee recommended that Annette K. Clayton be appointed to the Board effective January 7, 2019. Ms. Clayton brings extensive technology, environmental, and regulatory expertise, among other things, gained during her tenure as President and CEO of Schneider Electric's North America Operations and in her former role as Chief Supply Chain Officer. For more information on Ms. Clayton's skills and qualifications, see page 9. In February 2019, the committee also recommended to the Board that Marya M. Rose be appointed to the Board effective March 1, 2019. Ms. Rose's experience as Chief Administrative Officer and previously as General Counsel of Cummins has given her a background in a number of key areas, which are critical to the future success of Duke Energy, including legal and regulatory, environmental, technology, risk management, and customer service matters. For more information on Ms. Rose's skills and experience, see page 14.

**Director Onboarding.** With the addition of a number of new directors to our Board over the past several years, the director onboarding process has become increasingly important to educating our new directors about Duke Energy. Immediately following their appointment, each new director meets individually with the senior executives responsible for our major lines of business and operations so that they may better understand the issues involved in all aspects of Duke Energy's business. In addition to discussing Duke Energy's businesses and operations, the new directors learn about our corporate governance practices and policies; the financial and technical aspects of our electric utility, natural gas, and commercial renewables businesses; the enterprise's significant risks; our long-term strategy; and Duke Energy's long-standing mission to provide clean, reliable, and affordable energy for our customers.

## Communications and Engagements with Directors

Interested parties can communicate with any of our directors by writing to our Corporate Secretary at the following address:

**Corporate Secretary**
David B. Fountain
Senior Vice President, Legal, Chief Ethics and Compliance
Officer and Corporate Secretary
Duke Energy Corporation
DEC 48H
P.O. Box 1414
Charlotte, NC 28201-1414

Interested parties can communicate with our Independent Lead Director by writing to the following address:

**Independent Lead Director**
c/o David B. Fountain
Senior Vice President, Legal, Chief Ethics and Compliance
Officer and Corporate Secretary
Duke Energy Corporation
DEC 48H
P.O. Box 1414
Charlotte, NC 28201-1414

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**REPORT OF THE CORPORATE GOVERNANCE COMMITTEE**

Our Corporate Secretary will distribute communications to the Board, or to any individual director or directors as appropriate, depending on the facts and circumstances outlined in the communication. In that regard, the Board has requested that certain items that are unrelated to the duties and responsibilities of the Board be excluded, such as spam, junk mail and mass mailings, service complaints, resumes, and other forms of job inquiries, surveys, and business solicitations or advertisements. In addition, material that is unduly hostile, threatening, obscene or similarly unsuitable will be excluded. However, any communication that is so excluded remains available to any director upon request.

**Corporate Governance Committee**
Michael G. Browning, Chair
Daniel R. DiMicco
William E. Kennard
E. Marie McKee

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# DIRECTOR COMPENSATION

Our director compensation program is designed to attract and retain highly qualified directors and align their interests with those of our shareholders. We compensate directors who are not employed by Duke Energy with a combination of cash and equity awards, along with certain other benefits as described below. Ms. Good receives no compensation for her service on the Board.

The Compensation Committee annually reviews the director compensation program and recommends proposed changes for approval by the Board. As part of this review, the Compensation Committee considers the significant amount of time expended, and the skill level required, by each director not employed by Duke Energy in fulfilling his or her duties on the Board, each director's role and involvement on the Board and its committees and the market compensation practices and levels of our peer companies.

During its annual review of the director compensation program in 2018, the Compensation Committee considered an analysis prepared by its independent consultant, FW Cook, which summarized director compensation trends for independent directors and pay levels at the same peer companies used to evaluate the compensation of our NEOs. Following this review, and after considering the advice of FW Cook about market practices and pay levels, the Compensation Committee did not recommend any changes to our director compensation program.

For 2018, our director compensation program consisted of the following:

| Type of Fee | Amount ($) |
|---|---|
| Annual Board Retainer (cash) | 125,000 |
| Annual Board Retainer (stock) | 160,000 |
| Annual Board Chair Retainer (if applicable) | 100,000 |
| Annual Lead Director Retainer (if applicable) | 40,000 |
| Annual Audit Committee Chair Retainer | 25,000 |
| Annual Compensation Committee and Nuclear Oversight Committee Chair Retainers | 20,000 |
| Annual Chair Retainer (other committees) | 15,000 |
| Additional Cash Retainer Opportunity* | 10,000 |
| Board Meeting Fees | n/a |

* An additional $10,000 cash retainer will be provided to any director who completes one or more of the following during the calendar year: (i) participation on a special committee, (ii) attendance at more than 30 meetings of the Board and/or regular standing committee meetings during the calendar year, or (iii) in person attendance at more than two off-site committee meetings during the calendar year.

**Annual Board Stock Retainer for 2018.** In 2018, each eligible director received the portion of his or her annual retainer that was payable in stock in the form of fully vested shares. The stock retainer was granted under the Duke Energy Corporation 2015 Long-Term Incentive Plan that was approved by our shareholders and contains an annual limit on equity awards of $400,000 to any director not employed by Duke Energy.

**Deferral Plan and Stock Purchases.** Directors may elect to receive all or a portion of their annual cash compensation on a current basis or defer such compensation under the Directors' Savings Plan. Deferred amounts are credited to an unfunded account, the balance of which is adjusted for the performance of phantom investment options, including the Duke Energy common stock fund, as elected by the director, and generally are paid when the director terminates his or her service from the Board.

**Charitable Giving Program.** The Duke Energy Foundation, independent of Duke Energy, maintains the Duke Energy Foundation Matching Gifts Program under which directors and employees generally are eligible to request matching contributions of up to $5,000 per director or employee per calendar year to qualifying institutions. In addition, the Duke Energy Foundation made a $1,000 donation to the Foundation for the Carolinas for the Relief4Employees program in November 2018 on behalf of each of the directors not employed by Duke Energy who were actively serving at that time. The Relief4Employees program provides assistance to eligible employees facing financial hardship due to natural

disaster, family emergency, or other unexpected events.

**Expense Reimbursement and Insurance.** Duke Energy provides travel insurance to directors and reimburses directors for expenses reasonably incurred in connection with attendance and participation at Board and committee meetings and special functions.

**Stock Ownership Guidelines.** Directors are subject to stock ownership guidelines, which establish a minimum level of ownership of Duke Energy common stock (or common stock equivalents). Currently, each director not employed by Duke Energy is required to own shares with a value equal to at least five times the annual Board cash retainer (*i.e.*, an ownership level of $625,000) or retain 50% of his or her vested annual equity retainer. All directors were in compliance with the guidelines as of December 31, 2018.

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**DIRECTOR COMPENSATION**

The following table describes the compensation earned during 2018 by each individual, other than Ms. Good, who served as a director during 2018. Because Ms. Clayton and Ms. Rose joined the Board in 2019, neither received compensation in 2018 and they are not listed below.

| Name | Fees Earned or Paid in Cash ($)(2) | Stock Awards ($)(3) | All Other Compensation ($)(4) | Total ($) |
|---|---|---|---|---|
| Michael G. Browning | 180,000 | 160,000 | 6,261 | 346,261 |
| Theodore F. Craver, Jr. | 150,000 | 160,000 | 6,261 | 316,261 |
| Robert M. Davis(1) | 122,542 | 210,549 | 6,256 | 339,347 |
| Daniel R. DiMicco | 125,000 | 160,000 | 6,261 | 291,261 |
| John H. Forsgren | 140,000 | 160,000 | 6,261 | 306,261 |
| John T. Herron | 155,000 | 160,000 | 6,261 | 321,261 |
| James B. Hyler, Jr. | 140,000 | 160,000 | 1,261 | 301,261 |
| William E. Kennard | 125,000 | 160,000 | 6,261 | 291,261 |
| E. Marie McKee | 145,000 | 160,000 | 6,261 | 311,261 |
| Charles W. Moorman IV | 125,000 | 160,000 | 8,114 | 293,114 |
| Carlos A. Saladrigas | 125,000 | 160,000 | 6,261 | 291,261 |
| Thomas E. Skains | 135,000 | 160,000 | 6,261 | 301,261 |
| William E. Webster, Jr. | 135,000 | 160,000 | 6,261 | 301,261 |

(1) Mr. Davis was appointed to the Board on January 8, 2018.

(2) Mr. Hyler, Mr. Moorman, and Mr. Saladrigas elected to defer $70,000, $125,000, and $125,000, respectively, of their 2018 cash compensation under the Directors' Savings Plan.

(3) This column reflects the grant date fair value of the stock awards granted to each eligible director during 2018. The grant date fair value was determined in accordance with the accounting guidance for stock-based compensation. See Note 21 of the Consolidated Financial Statements contained in our Form 10-K for an explanation of the assumptions made in valuing these awards. In January 2018, Mr. Davis received a prorated portion of the 2017-2018 annual stock retainer, amounting to 615 shares of Duke Energy common stock. In May 2018, each sitting director on the Board received an annual stock retainer in the form of 2,006 shares of Duke Energy common stock. Mr. Craver, Mr. Davis, Mr. Hyler, Mr. Kennard, Mr. Moorman, Mr. Saladrigas, and Mr. Webster elected to defer their 2018-2019 stock retainer of Duke Energy shares under the Directors' Savings Plan.

(4) As described in the following table, All Other Compensation for 2018 includes cost associated with personal use of company aircraft, a business travel accident insurance premium that was prorated among the directors based on their service on the Board during 2018, and contributions made in the director's name to charitable organizations.

| Name | Personal Use of Airplane ($) | Business Travel Accident Insurance ($) | Charitable Contributions ($) | Total ($) |
|---|---|---|---|---|
| Michael G. Browning | 0 | 261 | 6,000 | 6,261 |
| Theodore F. Craver, Jr. | 0 | 261 | 6,000 | 6,261 |
| Robert M. Davis | 0 | 256 | 6,000 | 6,256 |
| Daniel R. DiMicco | 0 | 261 | 6,000 | 6,261 |
| John H. Forsgren | 0 | 261 | 6,000 | 6,261 |
| John T. Herron | 0 | 261 | 6,000 | 6,261 |
| James B. Hyler, Jr. | 0 | 261 | 1,000 | 1,261 |
| William E. Kennard | 0 | 261 | 6,000 | 6,261 |
| E. Marie McKee | 0 | 261 | 6,000 | 6,261 |
| Charles W. Moorman IV | 1,853 | 261 | 6,000 | 8,114 |
| Carlos A. Saladrigas | 0 | 261 | 6,000 | 6,261 |
| Thomas E. Skains | 0 | 261 | 6,000 | 6,261 |
| William E. Webster, Jr. | 0 | 261 | 6,000 | 6,261 |

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# SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table indicates the amount of Duke Energy common stock, beneficially owned by the current directors, the executive officers listed in the Summary Compensation Table under Executive Compensation (referred to as the NEOs), and all directors and executive officers as a group as of March 4, 2019. There were 727,645,547 shares of Duke Energy common stock outstanding as of March 4, 2019.

| Name or Identity of Group | Total Shares Beneficially Owned(1) | Percent of Class |
|---|---|---|
| Michael G. Browning | 82,785 | * |
| Annette K. Clayton | 595 | * |
| Theodore F. Craver, Jr. | 6,035 | * |
| Robert M. Davis | 2,690 | * |
| Daniel R. DiMicco | 49,163 | * |
| John H. Forsgren | 21,423 | * |
| Lynn J. Good | 170,928 | * |
| John T. Herron | 17,873 | * |
| James B. Hyler, Jr. | 22,027 | * |
| Dhiaa M. Jamil | 12,459 | * |
| Julia S. Janson | 23,794 | * |
| William E. Kennard | 10,627 | * |
| E. Marie McKee | 149 | * |
| Charles W. Moorman IV | 9,222 | * |
| Marya M. Rose | 304 | * |
| Carlos A. Saladrigas | 4,792 | * |
| Thomas E. Skains | 20,422 | * |
| William E. Webster, Jr. | 3,357 | * |
| Lloyd M. Yates | 47,106 | * |
| Steven K. Young | 66,227 | * |
| **Directors and executive officers as a group (24)** | 672,881 | * |

* Represents less than 1%.

(1) Includes the following number of shares with respect to which directors and executive officers have the right to acquire beneficial ownership within 60 days of March 4, 2019: Mr. Browning 25,507; Ms. Clayton 0; Mr. Craver 297; Mr. Davis 2,075; Mr. DiMicco 18,691; Mr. Forsgren 17,995; Ms. Good 0; Mr. Herron 0; Mr. Hyler 13,524; Mr. Jamil 0; Ms. Janson 0; Mr. Kennard 10,627 ; Ms. McKee 149; Mr. Moorman 4,257; Ms. Rose 0; Mr. Saladrigas 1,756; Mr. Skains 0; Mr. Webster 2,296; Mr. Yates 0; Mr. Young 0; and all directors and executive officers as a group 97,174.

**Supplemental Table Including Ownership of Units Representing Common Stock**

The table below shows ownership of both Duke Energy common stock (listed in the table above as defined by SEC regulations) as well as units (not listed in the table above) related to Duke Energy common stock under the Directors' Savings Plan or the Executive Savings Plan, as applicable, which units do not represent an equity interest in Duke Energy and possess no voting rights, but are equal in economic value to one share of Duke Energy common stock.

| Name | Number of Units |
|---|---|
| Michael G. Browning | 114,033 |
| Annette K. Clayton | 595 |
| Theodore F. Craver, Jr. | 7,813 |
| Robert M. Davis | 2,690 |
| Daniel R. DiMicco | 50,594 |
| John H. Forsgren | 21,423 |
| Lynn J. Good | 171,006 |
| John T. Herron | 17,873 |
| James B. Hyler, Jr. | 34,124 |
| Dhiaa M. Jamil | 14,422 |
| Julia S. Janson | 24,013 |
| William E. Kennard | 10,627 |
| E. Marie McKee | 61,368 |
| Charles W. Moorman IV | 10,882 |
| Marya M. Rose | 304 |
| Carlos A. Saladrigas | 44,893 |
| Thomas E. Skains | 20,422 |
| William E. Webster, Jr. | 5,224 |
| Lloyd M. Yates | 59,051 |
| Steven K. Young | 66,748 |

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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table lists the beneficial owners of 5% or more of Duke Energy's outstanding shares of common stock as of December 31, 2018. This information is based on the most recently available reports filed with the SEC and provided to us by the company listed.

| Name or Identity of Beneficial Owner | Shares of Common Stock Beneficially Owned | Percentage |
|---|---|---|
| The Vanguard Group<br>100 Vanguard Blvd.<br>Malvern, PA 19355 | 56,503,147 | 7.92% |
| BlackRock Inc.<br>40 East 52nd Street<br>New York, NY 10022 | 48,270,073 | 6.80% |

(1) According to the Schedule 13G/A filed by The Vanguard Group, these shares are beneficially owned by The Vanguard Group, which is the parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G) to various investment companies, and has sole voting power with respect to 961,043 shares, 421,555 shares with shared voting power, sole dispositive power with regard to 55,293,994 shares, and 1,209,153 shares with shared dispositive power.

(2) According to the Schedule 13G/A filed by BlackRock Inc., these shares are beneficially owned by BlackRock Inc., which is the parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G) to various investment companies, and has sole voting power with respect to 42,774,054 shares, no shares with shared voting power, sole dispositive power with regard to 48,270,073 shares, and no shares with shared dispositive power.

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# PROPOSAL 2: RATIFICATION OF DELOITTE & TOUCHE LLP AS DUKE ENERGY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2019

The Audit Committee is directly responsible for the appointment and compensation, including the preapproval of audit fees as described below, and the retention and oversight of the independent registered public accounting firm that audits our financial statements and our internal control over financial reporting. The Audit Committee annually performs an assessment of Deloitte's independence and performance in deciding whether to retain Deloitte or engage a different independent auditor. Based on this evaluation, the Audit Committee has selected Deloitte as Duke Energy's independent registered public accounting firm for 2019. Deloitte (or one of its predecessor companies) has served as our independent registered public accounting firm since 1947.

## Independence

The Audit Committee and the Board believe that the continued retention of Deloitte as Duke Energy's independent registered public accounting firm is in the best interests of Duke Energy and our shareholders. Deloitte's level of service, industry experience, and years of experience with Duke Energy have allowed them to gain expertise regarding Duke Energy's operations, accounting policies and practices, and internal controls over financial reporting. It also prevents the significant time commitment that educating a new auditor would entail, which could also result in distraction in focus for Duke Energy management and enables a more efficient fee structure.

To safeguard the continued independence of the independent registered public accounting firm, the Audit Committee adopted a policy that provides that the independent registered public accounting firm is only permitted to provide services to Duke Energy and our subsidiaries that have been preapproved by the Audit Committee. Pursuant to the policy, detailed audit services, audit-related services, tax services, and certain other services have been specifically preapproved up to certain categorical fee limits. Proposed services exceeding cost of preapproved limits must be approved by the Audit Committee before the independent registered public accounting firm is engaged for such service. All other services that are not prohibited pursuant to the SEC's or other applicable regulatory bodies' rules or regulations must be specifically approved by the Audit Committee before the independent registered public accounting firm is engaged for such service. All services performed in 2018 and 2017 by the independent registered public accounting firm were approved by the Duke Energy Audit Committee pursuant to its policy on Engaging the Independent Auditor for Services.

In addition to the annual review of Deloitte's independence and in association with the mandatory rotation of Deloitte's lead engagement partner every five years, the Audit Committee oversees the selection of Deloitte's new lead engagement partner, including discussing candidate qualifications and interviewing potential candidates put forth by Deloitte. In 2018, the Audit Committee approved the selection of a new lead engagement partner beginning with the 2019 audit year.

Representatives of Deloitte are expected to participate in the Annual Meeting and will be available to respond to appropriate questions that are submitted at the Annual Meeting. Information on Deloitte's fees for services rendered in 2018 and 2017 are listed below.

The approval of a majority of shares represented in person or by proxy at the Annual Meeting is required to approve this proposal.

## Audit Fees

| Type of Fees | 2018 | 2017 |
|---|---|---|
| Audit Fees[1] | $ 14,035,000 | $ 13,535,000 |
| Audit-Related Fees[2] | 386,000 | 249,000 |
| Tax Fees[3] | 550,000 | 1,746,000 |
| All Other Fees[4] | 30,000 | 50,000 |
| **Total fees:** | **$ 15,001,000** | **$ 15,580,000** |

(1) Audit Fees are fees billed, or expected to be billed, by Deloitte for professional services for the financial statement audits of Duke Energy and our subsidiaries, including the audit of the internal control over financial reporting of Duke Energy and subsidiaries

included in Duke Energy's Form 10-K, reviews of financial statements included in Duke Energy's Quarterly Reports on Form 10-Q, statutory and regulatory attestation procedures, and services associated with securities filings such as comfort letters and consents.

(2) Audit-Related Fees are fees billed, or expected to be billed, by Deloitte for assurance and related services, including examinations of management assertions on financial reporting-related matters.

(3) Tax Fees are fees billed, or expected to be billed, by Deloitte for tax return assistance and preparation, tax examination assistance, and professional services related to tax planning and tax strategy.

(4) Other Fees are billed, or expected to be billed, by Deloitte for attendance at Deloitte-sponsored conferences and access to Deloitte research tools and subscription services.

**For the Above Reasons, the Board of Directors Recommends a Vote "FOR" This Proposal.**

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# REPORT OF THE AUDIT COMMITTEE

The following is the report of the Audit Committee with respect to Duke Energy's audited financial statements for the fiscal year ended December 31, 2018.

The information contained in this report of the Audit Committee shall not be deemed to be "soliciting material" or "filed" or "incorporated by reference" in future filings with the SEC, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that Duke Energy specifically incorporates it by reference into a document filed under the Securities Act or the Exchange Act.

The purpose of the Audit Committee is to assist the Board in its general oversight of Duke Energy's financial reporting, internal controls, and audit functions. The Audit Committee's charter describes in greater detail the full responsibilities of the committee and is available on our website at *duke-energy.com/our-company/investors/corporate-governance/board-committee-charters/audit*. Further information about the Audit Committee, its Policy on Engaging the Independent Auditor for Services and its members is detailed on pages 21 and 33 of the proxy statement.

The Audit Committee has reviewed and discussed the consolidated financial statements with management and Deloitte, Duke Energy's independent registered public accounting firm. Management is responsible for the preparation, presentation, and integrity of Duke Energy's financial statements; accounting and financial reporting principles; establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)); establishing and maintaining internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)); evaluating the effectiveness of disclosure controls and procedures; evaluating the effectiveness of internal control over financial reporting; and, evaluating any change in internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting. Deloitte is responsible for performing an independent audit of the consolidated financial statements and expressing an opinion on the conformity of those financial statements with GAAP, as well as expressing an opinion on the effectiveness of internal control over financial reporting based on the criteria established in Internal Control Integrated Framework (2013).

The Audit Committee reviewed the Corporation's audited financial statements with management and Deloitte, and met separately with both management and Deloitte to discuss and review those financial statements and reports prior to issuance. These discussions also addressed the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. Management has represented, and Deloitte has confirmed, that the financial statements are fairly presented, in all material respects, in conformity with GAAP.

In addition, management completed the documentation, testing, and evaluation of Duke Energy's system of internal control over financial reporting in response to the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. The Audit Committee was kept apprised of the progress of the evaluation and provided oversight and advice to management during the process. In connection with this oversight, the Audit Committee received updates provided by management and Deloitte at each of the regularly scheduled Audit Committee meetings. At the conclusion of the process, management presented to the Audit Committee on the effectiveness of Duke Energy's internal control over financial reporting. The Audit Committee also reviewed the report of management contained in Duke Energy's Form 10-K filed with the SEC, as well as Deloitte's report included in the Corporation's Form 10-K related to its audit of the effectiveness of internal control over financial reporting.

The Audit Committee has discussed with Deloitte the matters required to be discussed by professional and regulatory requirements, including, but not limited to, the standards of the Public Company Accounting Oversight Board regarding The Auditors' Communications with those charged with governance. In addition, Deloitte has provided the Audit Committee with the written disclosures and the letter required by Public Company Accounting Oversight Board Ethics and Independence Rule 3526, "Communications with Audit Committees Concerning Independence" that relates to Deloitte's independence from Duke Energy and our subsidiaries and the Audit Committee has discussed with Deloitte the firm's independence.

Based on its review of the consolidated financial statements and discussions with and representations from management and Deloitte referred to above, the Audit Committee recommended to the Board that the audited financial statements be included in Duke Energy's Form 10-K for filing with the SEC.

**Audit Committee**
Theodore F. Craver, Jr., Chair
Annette K. Clayton
Robert M. Davis
James B. Hyler, Jr.
Carlos A. Saladrigas

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## PROPOSAL 3: ADVISORY VOTE TO APPROVE DUKE ENERGY'S NAMED EXECUTIVE OFFICER COMPENSATION

At the 2011 and 2017 Annual Meetings, Duke Energy's shareholders recommended that our Board hold say-on-pay votes on an annual basis. As a result, we are providing our shareholders with the opportunity to approve, on a nonbinding, advisory basis, the compensation of our NEOs as disclosed in this proxy statement. This proposal gives our shareholders the opportunity to express their views on the compensation of our NEOs.

In connection with this proposal, the Board encourages shareholders to review, in detail, the description of the compensation program for our NEOs that is set forth in the Compensation Discussion and Analysis beginning on page 36, as well as the information contained in the compensation tables and narrative discussion in this proxy statement.

As described in more detail in the Compensation Discussion and Analysis section, the guiding principle of our compensation philosophy is that pay should be linked to performance and that the interests of our executives and shareholders should be aligned. Our compensation program is designed to provide significant upside and downside potential depending on actual results as compared to predetermined measures of success. A significant portion of our NEOs' TDC is directly contingent upon achieving specific results that are important to our long-term success and growth in shareholder value. We supplement our pay for performance program with a number of compensation policies that are aligned with the long-term interests of Duke Energy and our shareholders.

We are asking our shareholders to indicate their support for the compensation of our NEOs as disclosed in this proxy statement by voting "FOR" the following resolution:

"RESOLVED, that the shareholders of Duke Energy approve, on an advisory basis, the compensation paid to Duke Energy's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K of the Securities Act, including the Compensation Discussion and Analysis, the compensation tables, and the narrative discussion in Duke Energy's 2019 Proxy Statement."

The approval of a majority of shares represented in person or by proxy at the Annual Meeting is required to approve this proposal. Because your vote is advisory, it will not be binding on the Board, the Compensation Committee or Duke Energy. The Compensation Committee, however, will review the voting results and take them into consideration when making future decisions regarding the compensation of our NEOs.

**For the Above Reasons, the Board of Directors Recommends a Vote "FOR" This Proposal.**

# REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee is responsible for the oversight of Duke Energy's compensation programs and compensation of Duke Energy's executives per the Compensation Committee's charter, which is available on our website at *duke-energy.com/our-company/investors/corporate-governance/board-committee-charters/compensation.*

The Compensation Committee of Duke Energy has reviewed and discussed the Compensation Discussion and Analysis with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

**Compensation Committee**
E. Marie McKee, Chair
Michael G. Browning
John H. Forsgren
Carlos A. Saladrigas

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# COMPENSATION DISCUSSION AND ANALYSIS

## Section 1: Executive Summary

The purpose of this Compensation Discussion and Analysis is to provide information about Duke Energy's compensation objectives and policies for our NEOs, who, for 2018 are:

| Name | Title |
|---|---|
| Lynn J. Good | Chairman, President and Chief Executive Officer |
| Steven K. Young | Executive Vice President and Chief Financial Officer |
| Dhiaa M. Jamil | Executive Vice President and Chief Operating Officer |
| Julia S. Janson | Executive Vice President, External Affairs and Chief Legal Officer |
| Lloyd M. Yates | Executive Vice President, Customer and Delivery Operations and President, Carolinas Region |

### Compensation Objectives and Principles for 2018

Our compensation program is designed to link pay to performance, with the goal of attracting and retaining talented executives, rewarding individual performance, encouraging long-term commitment to our business strategy, and aligning the interests of our management team with those of shareholders.

Our compensation program provides significant upside and downside potential depending on actual results, as compared to predetermined measures of success.

In setting executive compensation for 2018, we sought to balance the need to recognize the evolving nature of our business strategy with Duke Energy's focus on maximizing shareholder value.

### Shareholder Engagement

We have a longstanding history of engaging with shareholders and value the deep relationships we have built. The feedback our shareholders have provided over time has greatly informed our compensation and governance programs as well as our environmental and social initiatives. We received 80.7% favorable support from our shareholders for our executive compensation program pursuant to the "say on pay" vote at our 2018 Annual Meeting. In response, we continued our shareholder outreach program in 2018, reaching out to holders of approximately one-third of our outstanding shares and held meetings with the holders of approximately 20% of our outstanding shares. Our outreach team included members of our Board as well as management who represented the Investor Relations, Human Resources, and Legal Departments, among others.

The focus of these meetings was to provide an update on our strategic vision, operational priorities, and the strength of our leadership team, as well as to discuss our governance and executive compensation program, our CEO's compensation for 2018, and several disclosure and governance enhancements the Compensation Committee had approved. During these conversations, shareholders thanked us for our proactive approach and indicated that they appreciated that we have evolved the design of our LTI program over the last several years to incorporate strategic and operational measures in addition to TSR, as well as the enhanced disclosure of our executive compensation program. Shareholders also were pleased that safety metrics have been incorporated into the incentive plans. No significant changes were made to the design of our compensation plans in 2018 as a result of our engagement program.

We greatly value the input shareholders provided and will continue our outreach efforts on a variety of topics including executive compensation as our compensation program evolves in the future.

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# Business Highlights: Compensation Decisions in Context

## Advancing Our Strategic Vision

We continue to advance our strategic vision as indicated below.

## Core Areas of Focus

Our value proposition is to be the leading energy infrastructure company. Under the leadership of Ms. Good, who became our CEO in July 2013, we have intensified our focus on serving our customers and communities, while leading the way to a safe, secure, and responsible energy future. Our strategy for the next decade is clear. We see great opportunities ahead and remain focused on investing in infrastructure our customers value and delivering sustainable growth for our investors. We will do this while building on our foundation of customer satisfaction and stakeholder engagement, all while remaining focused on safety, operational excellence, employee engagement, and the environment.

Duke Energy is committed to creating value for our shareholders while building trust and transforming our energy future. We continuously strive to achieve this core purpose of creating shareholder value in all that we do, but with a particular emphasis on the following areas:

- Modernizing the energy grid

Generating cleaner energy

Expanding our natural gas infrastructure

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**COMPENSATION DISCUSSION AND ANALYSIS**

# 2018 Business Highlights

We had an outstanding year during 2018. We met our near-term financial commitments and positioned Duke Energy for sustainable long-term growth. We continued to advance a growth strategy focused on investments to modernize our energy grid, generate cleaner energy, and expand our natural gas infrastructure all built on a foundation of customer service, operational excellence, and employee and stakeholder engagement.

***Operational Excellence***

Safety remains our top priority. Our employees delivered strong safety results in 2018, consistent with our industry-leading performance levels from 2016 and 2017. Although we fell short of our employee target for TICR, we will continue to learn and use each incident as an opportunity to improve enterprise safety practices. As an indication of our commitment to safety, we include safety metrics in both the STI and LTI plans, and the STI plan payments for our NEOs were reduced by a 5% safety penalty in 2018, as explained in more detail on page 44.

We demonstrated progress on our commitment to generate cleaner energy, including the completion of highly efficient combined cycle natural gas plants in Florida and South Carolina, and the advancement of renewable energy in both our regulated and commercial businesses.

2018 was a year of intense storm activity, with Hurricane Florence and Hurricane Michael impacting our service territories. Our employees and utility partners worked tirelessly to restore three million outages during the hurricane season.

We outperformed our target for Reportable Environmental Events in 2018 and continued to advance our efforts to permanently close coal ash basins in ways that protect people and the environment.

***Financial Performance***

Our results exceeded our 2018 earnings target and we took proactive steps to strengthen our balance sheet. We advanced capital projects and regulatory initiatives that support our 4% to 6% EPS growth trajectory, and addressed key uncertainties including federal tax reform treatment and North Carolina rate case outcomes.

Our 2018 TSR of 7.4% exceeded the TSR of the S&P 500 and the UTY, which was 4.4% and 3.5% respectively in 2018.

During 2018, we increased our dividend payment for the 12th consecutive year.

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# Chief Executive Officer Compensation

## No Changes to CEO Compensation

Ms. Good's leadership has been instrumental to the evolution of Duke Energy. Since becoming our CEO in July 2013, Ms. Good has led the development of our strategy (focused on modernizing the energy grid, generating cleaner energy, and expanding our natural gas infrastructure), driven industry-leading operational performance, and guided us through several major transactions as we restructured our portfolio of businesses to reduce risk and improve returns. As we seek to advance our strategic vision and execution in the coming years, Ms. Good's leadership will continue to be critical to the organization.

When Ms. Good became our CEO in 2013, her compensation was significantly below the market. To address this gap, each year the Compensation Committee conducted a detailed review of Ms. Good's compensation and analyzed her pay relative to the competitive market, within and outside the utility sector. The Compensation Committee took into account the size and complexity of Duke Energy and our ability to compete for talent against multiple industries, and relied heavily on data from its independent compensation consultant.

The Compensation Committee gradually increased Ms. Good's compensation levels over the past several years to bring Ms. Good's compensation in line with the competitive market. This step-like approach provided flexibility to make pay decisions based on Ms. Good's contributions to the performance of Duke Energy, her experience in the role, and the evolving market data.

After conducting its review of the market data, the Compensation Committee determined that Ms. Good's compensation continued to be competitive with the market data, and, therefore, the committee did not increase her compensation levels in 2018.

# Core Compensation Structure and Incentive Metrics in 2018

Our core compensation program consists of base salary, STI and LTI (performance shares and RSUs), as outlined in the table below. There have been no significant changes to the following metrics since 2017.

| Element | | Performance Metrics Aligned to Strategy |
|---|---|---|
| **Base Salary** | Cash | |
| **Annual Incentive** | Short-Term Cash Incentive | Adjusted EPS |
| | | Operational Excellence |
| | | Customer Satisfaction |
| | | Individual Objectives |

| | | |
|---|---|---|
| | | Safety (targets set on an absolute basis) |
| | | Cumulative Adjusted EPS |
| **Long-Term** | Performance Shares (70%) | Relative TSR |
| | | Safety (targets set on a relative basis) |
| **Equity Incentive** | RSUs (30%) | Service-based with three-year pro rata vesting |

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**COMPENSATION DISCUSSION AND ANALYSIS**

The following chart illustrates the components of the target TDC opportunities provided to our CEO and other NEOs.

## Executive Compensation Best Practices

Following are key features of our executive compensation program:

| AT DUKE ENERGY WE... | AT DUKE ENERGY WE DO NOT... |
|---|---|
| Require significant stock ownership, including 6x base salary for our CEO and 3x base salary for other NEOs | Provide tax gross-ups to NEOs |
| Maintain a stock retention policy | Permit hedging or pledging of Duke Energy securities |
| Tie equity and cash-based incentive compensation to a clawback policy | Provide "single trigger" severance upon a change in control |
| Maintain a shareholder approval policy for severance agreements that provide severance in excess of 2.99 annual compensation | Provide employment agreements to a broad group |
| Comply with an equity award granting policy | Encourage excessive or inappropriate risk-taking through our compensation program |
| Use an independent compensation consultant retained by and reporting directly to the Compensation Committee to advise on compensation matters | Provide excessive perquisites |
| Review tally sheets on an annual basis | Provide dividend equivalents on unearned performance shares |

Consider shareholder feedback and the prior year's "say-on-pay" vote
Require that equity awards must be subject to a one-year minimum vesting period, subject to limited exceptions
Disclose performance targets for the open performance share cycle granted in the most recent year

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# Section 2: Compensation Program

## Overall Design

We design our compensation program so that it motivates our executives to focus on our core business priorities and aligns the interests of executives and shareholders.

## Elements of Our Total Direct Compensation Program

As discussed in more detail below, during 2018, the components of TDC for our NEOs were: base salary, STI compensation, and LTI compensation.

### Base Salary

The salary for each NEO is based, among other factors, upon job responsibilities, level of experience, individual performance, comparisons to the salaries of executives in similar positions obtained from market surveys, and internal comparisons. The Compensation Committee considers changes in the base salaries of our NEOs annually. In 2018, the Compensation Committee approved merit increases, effective as of March 1, 2018, of 2.5% for Mr. Young, Mr. Jamil, Ms. Janson, and Mr. Yates to further close the gap between their respective salaries and the peer group median. No changes were made to Ms. Good's base salary in 2018.

### Short-Term Incentive Compensation

STI opportunities are provided to our NEOs under the Duke Energy Corporation Executive Short-Term Incentive Plan to promote the achievement of annual performance objectives. Each year, the Compensation Committee establishes the target annual incentive opportunity for each NEO, which is based on a percentage of his or her base salary. No changes were made to the target incentive opportunities of our NEOs in 2018.

| Name | Target STI Opportunity (as a % of base salary) |
|---|---|
| Lynn J. Good | 155% |
| Steven K. Young | 80% |
| Dhiaa M. Jamil | 80% |
| Julia S. Janson | 80% |
| Lloyd M. Yates | 80% |

As discussed in more detail below, the Compensation Committee established the following objectives under the STI plan in February 2018 with the STI target opportunity allocated between corporate and individual objectives.

In order to emphasize the importance of the EPS objective, the Compensation Committee established a performance floor or circuit-breaker providing that if an adjusted diluted EPS performance level of at least $4.15 was not achieved, our NEOs would not have received any payout under the 2018 STI plan. To encourage a continued focus on safety, the Compensation Committee also included a potential safety penalty (executives

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**COMPENSATION DISCUSSION AND ANALYSIS**

only) and adder (all employees), each in the amount of 5% of a participant's entire STI payment.

Depending on actual performance, NEOs were eligible to earn up to 183.75% of the amount of their STI target opportunity, based on a potential maximum payout of 200% for the EPS objective, a 150% potential maximum payout for the operational excellence, customer satisfaction and individual objectives, and the potential 5% safety adder.

**Corporate Objectives (80% of total)**

The 2018 corporate objectives and the related target and performance results were as follows and are defined below:

| Objective(1) | Weight | Threshold (50%) | Target (100%) | Maximum(2) | Result | Sub-Total | Payout |
|---|---|---|---|---|---|---|---|
| **Adjusted Diluted EPS(3)** | 50% | $ 4.50 | $ 4.70 | $ 4.90 | $ 4.72 | | 110.0% |
| **Operational Excellence(4)** | 20% | | | | | | 101.2% |
| (a) O&M Expense | | $ 5.060B | $ 4.910B | $ 4.760B | $ 4.974B | 79% | |
| (b) Reliability(5) | | | | | | | |
| Nuclear Optimized Reliability | | 207.78 | 203.41 | 199.11 | 198.49 | 150% | |
| Fossil/Hydro Optimized Reliability | | 64.57 | 63.28 | 62.00 | 59.54 | 150% | |
| System Average Interruption Duration Index (Less Planned Outages) | | 160 | 145 | 130 | 155 | 67% | |
| Renewables Availability | | 93.5% | 94.5% | 96.0% | 95.3% | 127% | |
| Natural Gas Business Outage Factor | | 4 | 2 | 1 | 3 | 0%(6) | |
| (c) Safety/Environmental(7) | | | | | | | |
| TICR: | | | | | | | |
| Employees | | 0.50 | 0.38 | 0.35 | .43 | 79% | |
| Contractors | | 0.95 | 0.85 | 0.80 | .74 | 150% | |
| Reportable Environmental Events | | 44 | 35 | 31 | 32 | 138% | |
| **Customer Satisfaction** | 10% | 783 | 793 | 803 | 796 | | 115% |

(1) For additional information about the calculation of the EPS and O&M expense control objectives, see page 51.

(2) A payout of up to 200% of the target opportunity is available for the adjusted diluted EPS objective and a payout of up to 150% of the target opportunity is available for the operational excellence and customer satisfaction objectives.

(3)

If an adjusted diluted EPS performance level of at least $4.15 was not achieved (*i.e.*, a performance floor or circuit-breaker), the NEOs would not have received a payout under the 2018 STI plan.

(4)

Each of the three primary operational excellence objectives contains an equal weighting of one-third of the aggregate weighting of 20%.

(5)

Each reliability metric contains an equal weighting of one-fifth of the aggregate weighting of the reliability objective.

(6)

The performance for the Natural Gas Business Outage Factor did not achieve the threshold level because of the occurrence of an outage that impacted at least 500 customers.

(7)

Each safety/environmental metric contains an equal weighting of one-half of the aggregate weighting of the safety/environmental objective.

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| Corporate Metrics | Description/Rationale |
|---|---|
| **Financial Metrics** | |
| **Adjusted Diluted EPS** | A widely accepted, easily understood, and important metric used to evaluate the success of our performance and the market value of our common stock. |
| **Operational Excellence** | Motivates our executive officers to achieve operational excellence, which is valued by our customers. This measure aligns with our strategic business goals and provides an incentive for achieving operational efficiencies. |
| **Reliability Metrics** | |
| **Nuclear Optimized Reliability** | A measure of the linkage between financial investment and reliability of the nuclear fleet. |
| **Fossil/Hydro Optimized Reliability** | A measure of the linkage between financial investment and reliability of the fossil/hydro fleet. |
| **System Average Interruption Duration Index (Less Planned Outages)** | A measure of the number of outage minutes experienced during the year per customer served from both transmission and distribution systems, excluding planned outages, calculated in accordance with applicable guidelines. |
| **Renewables Availability** | A renewables energy yield metric, calculated by comparing actual generation to expected generation based on the wind speed measured at the turbine and by calculating the actual generation to expected generation based on solar intensity measures at the panels. |
| **Natural Gas Business Outage Factor** | A measure of the number of outages in the natural gas business. For this purpose, an "outage" is defined as an event that causes a loss of natural gas service for at least 100 customers, where such event is not caused by a third party. If a single event causes a loss of natural gas service for at least 500 customers, that event automatically results in less than minimum performance for this measure. |
| **Safety/Environmental Metrics** | |
| **TICR** | Measures the number of occupational injuries and illnesses per 100 workers. This objective emphasizes our focus on achieving an event-free and injury-free workplace. |
| **Reportable Environmental Events** | Environmental events that require notification to, or enforcement action by, a regulatory agency. This objective emphasizes service reliability and the mitigation of environmental risks associated with our operations. |
| **Customer Satisfaction Metric** | |
| **CSAT** | |

A composite of customer satisfaction results for each regulated utility. Results are based on external surveys by third parties, including J.D. Power, and internal surveys of our customers.

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**COMPENSATION DISCUSSION AND ANALYSIS**

### Individual Objectives (20% of total)

The 2018 individual objectives for our NEOs were divided into the following three equally-weighted areas:

Focus on operational excellence and performance with an emphasis on safety, reliability, sustainable efficiency, and event-free operations

Achieve risk-informed growth and financial results

Foster a high performance, engaged, diverse and inclusive culture built on strong leadership and behaviors aligned with Duke Energy's Leadership Imperatives

### Safety Component

In order to emphasize a continued focus on safety, the Compensation Committee included the following measures in the 2018 STI plan:

***Safety Penalty.*** The STI plan payments for each of our NEOs were subject to a safety penalty of 5% if Duke Energy experienced more than five LAIs or there was a significant operational event (including a controllable work-related Duke Energy employee or contractor fatality).

***Safety Adder.*** The STI plan payments of our NEOs, along with other eligible employees, were also eligible for a safety adder that could result in an increase of 5% if: (i) there were no controllable work-related fatalities of any Duke Energy employee or contractor during 2018; (ii) there were four or fewer LAIs during 2018; and (iii) there were no significant operational events.

We did not achieve our goal of no work-related fatalities during 2018, and, therefore, the safety adder did not apply and the safety penalty applied such that total payments under the 2018 STI plan for our NEOs were decreased by 5%.

### Payouts

Based on the aggregate corporate and individual performance results, including the 5% safety penalty, each NEO's aggregate payout under the 2018 STI plan was equal to:

| Name | Target STI Opportunity ($) | Achievement of Corporate Objectives (80% Weighting) | Achievement of Individual Objectives (20% Weighting) | Overall Achievement as a % of Target STI Opportunity | Payout* ($) |
|---|---|---|---|---|---|
| Lynn J. Good | 2,092,500 | 108.4% | 137% | 108.4% | 2,268,961 |
| Steven K. Young | 565,950 | 108.4% | 140% | 109.0% | 616,903 |
| Dhiaa M. Jamil | 643,125 | 108.4% | 140% | 109.0% | 701,026 |
| Julia S. Janson | 510,417 | 108.4% | 150% | 110.9% | 566,067 |
| Lloyd M. Yates | 560,848 | 108.4% | 130% | 107.1% | 600,685 |

*

Values have been reduced by 5% to reflect the safety penalty.

## Long-Term Incentive Compensation

Our LTI program is designed to provide our NEOs with appropriate balance to the STI plan and to align executive and shareholder interests in an effort to maximize shareholder value.

Each year, the Compensation Committee establishes the target LTI opportunity for each NEO, which is based on a percentage of his or her base salary. No changes were made to the LTI opportunities of our NEOs in 2018.

| Name | Target LTI Opportunity (as a % of base salary) |
|---|---|
| Lynn J. Good | 750% |
| Steven K. Young | 225% |
| Dhiaa M. Jamil | 275% |
| Julia S. Janson | 225% |
| Lloyd M. Yates | 225% |

The Compensation Committee reviews the allocation between performance shares and RSUs annually with its compensation consultant, which confirmed that the present mix of performance shares (70% allocation) and RSUs (30% allocation) was consistent with market benchmarking among both utility peers and the general industry. The Compensation Committee believes that this allocation strikes an appropriate balance to both incentivize and retain our executive officers, and aligns with our strong pay for performance philosophy.

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## 2018-2020 Performance Shares (70% of LTI Program)

Our Compensation Committee has evolved the design of our performance shares over the last three years to reflect shareholder feedback requesting a focus on multiple core metrics linked to our long-term success and balancing relative and absolute performance comparisons. As indicated in the following chart, we added a cumulative adjusted EPS metric in 2016, and in 2017 we added a safety metric to further strengthen our pay for performance alignment.

**100% Relative TSR**

**50% Cumulative Adjusted EPS**

**50% Relative TSR**

**50% Cumulative Adjusted EPS**

**25% Relative TSR**

**25% Safety (targets set on a relative basis)**

In order to emphasize pay for performance, the 2018-2020 performance shares vest at the end of the three-year performance period based on (i) our cumulative adjusted EPS compared to pre-established targets (50% weighting); (ii) our relative TSR compared to the companies in the UTY (25% weighting); and (iii) a safety measure based on our TICR compared to pre-established targets (25% weighting). These performance measures were selected to emphasize their importance in aligning the interests of our executives and shareholders.

Each of the three performance measures for the 2018-2020 performance shares is described below, along with a table that sets forth the performance targets and payout levels.

**Cumulative Adjusted EPS (50% Weighting)**

Payout is based on adjusted EPS over a three-year performance period compared to pre-established levels

EPS is a core financial metric for Duke Energy

The first performance measure is based on Duke Energy's three-year cumulative adjusted EPS measured against pre-established target levels. The Compensation Committee established the EPS target for the three-year cycle in February 2018 at a level that is challenging, but achievable with strong long-term performance. The following table provides the EPS target levels and corresponding payout levels:

| Cumulative Adjusted EPS | Percent Payout of Target 2018-2020 Performance Shares |
|---|---|
| $15.60 or Higher | 200% |
| ***$15.00 (Target)*** | 100% |
| $14.40 | 50% |

| | |
|---|---|
| Lower than $14.40 | 0% |

If Duke Energy's cumulative adjusted EPS during the performance period is between the minimum and target level, or between the target and maximum level, the payout for the portion of the performance shares related to this performance measure is interpolated on a straight-line basis.

**TSR (25% Weighting)**

Payout is based on relative TSR performance compared to the companies in the UTY

Target payout requires relative TSR performance at the 55th percentile

Payout is capped at target level if TSR is negative

The second performance measure is based on the percentile ranking of Duke Energy's TSR for the three-year performance period beginning January 1 in the year of grant compared to the TSR of each company in the UTY for the same period. The target amount is not earned unless Duke Energy's TSR is at least at the 55th percentile of the UTY. The following table provides the percentile ranking and corresponding payout levels:

| **Relative TSR Performance Percentile** | **Percent Payout of Target 2018-2020 Performance Shares*** |
|---|---|
| 90th or Higher | 200% |
| ***55th (Target)*** | 100% |
| 25th | 50% |
| Below 25th | 0% |

*

If Duke Energy's TSR is negative during the performance period, the payout is limited to the target level. If Duke Energy's TSR is at least 15%, the payout cannot be less than 30% of the target number of shares related to the TSR portion of the award.

If Duke Energy achieves a TSR ranking between the 25th percentile and the 55th percentile or between the 55th percentile and the 90th percentile, the number of performance shares related to this performance measure is interpolated on a straight-line basis.

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**COMPENSATION DISCUSSION AND ANALYSIS**

To determine performance share payouts, TSR is calculated using the difference between the opening and closing value of the shares of Duke Energy and each peer in the UTY, with dividends assumed to be reinvested. For purposes of the TSR calculation, the opening value is determined based on the average closing stock price for each company's shares on each trading day during the calendar month immediately preceding the performance period, and the closing value is determined based on the average closing stock price for each company's shares on each trading day during the last calendar month in the performance period.

**Safety TICR (25% Weighting)**

The foundation for our growth and success is our continued operational excellence, the leading indicator of which is safety TICR is a transparent metric that is based on strict OSHA definitions.

The third performance measure is based on Duke Energy's safety as determined based on our TICR for employees, as compared to pre-established target levels. The Compensation Committee established the target levels in February 2018, based on the relative historical performance of the companies in the EEI Group 1 large company index from 2014 to 2016, with minimum performance based on the 75$^{th}$ percentile, target performance based on the 90$^{th}$ percentile, and maximum performance based on the results of the top company during the historical period. The following table provides the TICR target levels and corresponding payout levels:

| TICR for Employees | Percent Payout of Target 2018-2020 Performance Shares |
|---|---|
| 0.41 or Better | 200% |
| ***0.54 (Target)*** | 100% |
| 0.71 | 50% |
| Worse than 0.71 | 0% |

If Duke Energy's safety performance during the 2018-2020 period is between the minimum and target level, or between the target and maximum level, the payout for the portion of the performance shares related to this performance measure is interpolated on a straight-line basis.

## Restricted Stock Units (30% of LTI Program)

The RSUs generally vest in equal installments on the first three anniversaries of the date of grant, provided the recipient continues to be employed by Duke Energy on each vesting date.

## Payout of 2016-2018 Performance Shares

The 2016-2018 performance shares generally vest during the three-year performance period ending December 31, 2018, based on the extent to which two equally-weighted performance measures were satisfied.

The first measure was based on our relative TSR for the three-year period as compared to the companies in the UTY, as follows:

| Relative TSR Performance Percentile | Percent Payout of Target 2016-2018 Performance Shares | Result | Payout of Target |
|---|---|---|---|
| 90th or Higher | 200% | | |
| 50th (Target) | 100% | | |

| | | | |
|---|---|---|---|
| 25th | 30% | 33.3rd Percentile | 53.2% |
| Below 25th | 0% | | |

The second measure was based on our cumulative adjusted EPS during the three-year period compared to pre-established targets, as follows:

| Cumulative Adjusted EPS | Percent Payout of Target 2016-2018 Performance Shares | Result | Payout of Target |
|---|---|---|---|
| $14.70 or Higher | 200% | | |
| ***$14.10 (Target)*** | 100% | $ 14.43 | 155% |
| $13.65 | 50% | | |
| Lower than $13.65 | 0% | | |

In the aggregate, this performance corresponds to a payout of 104.1% of the target number of 2016-2018 performance shares, plus dividend equivalents earned during the performance period. The following table lists the number of 2016-2018 performance shares to which our NEOs became vested at the end of that performance cycle:

| Name | 2016-2018 Performance Shares Earned |
|---|---|
| Lynn J. Good | 88,475 |
| Steven K. Young | 13,782 |
| Dhiaa M. Jamil | 20,053 |
| Julia S. Janson | 11,485 |
| Lloyd M. Yates | 14,586 |

# Other Elements of Our Compensation Program

## Retirement and Welfare Benefits

Our NEOs participate in the retirement and welfare plans generally available to other eligible employees. In addition, in order to attract and retain key executive talent, we believe that it is important to provide our NEOs with certain limited retirement benefits that are offered only to a select group of management. These retirement plans provided to our NEOs are described on pages 56 to 60 and are generally comparable to the benefits provided by peers of Duke Energy, as determined based on market surveys.

Duke Energy provides our NEOs with the same health and welfare benefits it provides to all other similarly-situated employees, and at the same cost charged to all other eligible employees. Our NEOs also are entitled to the same

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post-retirement health and welfare benefits as those provided to similarly-situated retirees.

## Perquisites

In 2018, Duke Energy provided our NEOs with certain other perquisites, which are disclosed in the footnotes to the Summary Compensation Table. Duke Energy offers these perquisites as well as other benefits to certain executives in order to provide competitive total compensation packages. The cost of perquisites and other personal benefits is not part of base salary, and, therefore, does not affect the calculation of awards and benefits under Duke Energy's other compensation arrangements (*i.e.*, retirement and incentive compensation plans).

Our NEOs were eligible to receive the following perquisites and other benefits during 2018: (i) up to $2,500 for the cost of a comprehensive physical examination; (ii) reimbursement of expenses incurred for tax and financial planning services, which program is administered on a three-year cycle, such that participating executives can be reimbursed for up to $15,000 of eligible expenses during the three-year cycle; (iii) matching contributions from the Duke Energy Foundation to qualifying charitable institutions; and (iv) preferred airline status. In addition, we occasionally provide our NEOs with tickets to athletic and cultural events for personal use.

In addition, Ms. Good may use corporate aircraft for personal travel in North America. With advance approval from the CEO, the other NEOs may use the corporate aircraft for personal travel in North America. If Ms. Good or any other NEO uses the aircraft for personal travel, he or she must reimburse Duke Energy for the direct operating costs for such travel. However, Ms. Good is not required to reimburse Duke Energy for the cost of travel for her executive physical or to meetings of the board of directors of other companies on which board she serves. For additional information on the use of the corporate aircraft, see the footnotes to the Summary Compensation Table.

## Employment Agreement with Ms. Good

Effective July 2013, Duke Energy entered into an employment agreement with Ms. Good that contained a three-year initial term and automatically renews for additional one-year periods at the end of the initial term unless either party provides 120 days' advance notice. In the event of a change in control of Duke Energy, the term automatically extends to a period of two years.

Upon a termination of Ms. Good's employment by Duke Energy without "cause" or by Ms. Good for "good reason" (each as defined in her employment agreement), Ms. Good would be entitled to the severance benefits described under the "Potential Payments Upon Termination or Change in Control" section of this proxy statement. Ms. Good's employment agreement does not provide for golden parachute excise tax gross-up payments.

## Severance Plan

The Executive Severance Plan provides severance protection to our NEOs, other than Ms. Good, in order to provide a consistent approach to executive severance and to provide eligible executives with certainty and security while they are focusing on their duties and responsibilities. Severance compensation would only be paid in the event that an eligible executive's employment is involuntarily terminated without "cause" or is voluntarily terminated for "good reason," and is subject to compliance with restrictive covenants (*i.e.*, confidentiality and noncompetition). The severance compensation that would be paid in the event of a qualifying termination of employment to those senior executives who are identified as "Tier I Participants," including Mr. Young, Mr. Jamil, Ms. Janson, and Mr. Yates, generally approximates two times his or her annual compensation and benefits. The Executive Severance Plan prohibits the payment of severance if an executive also would be entitled to severance compensation under a separate agreement or plan maintained by Duke Energy, including the Change in Control Agreements described below. The Executive Severance Plan does not provide for golden parachute excise tax gross-up payments.

The benefit levels under the Executive Severance Plan are described in more detail under the "Potential Payments Upon Termination or Change in Control" section of this proxy statement.

## Change in Control Agreements

Duke Energy has entered into Change in Control Agreements with our NEOs other than Ms. Good. Under these agreements, each such NEO would be entitled to certain payments and benefits if (i) a change in control were to occur, and (ii) within two years following the change in control, (a) Duke Energy terminates the executive's employment without "cause," or (b) the executive terminates his or her employment for "good reason." The severance that would be provided by Duke Energy to these NEOs is generally two times the executive's annual compensation and benefits and becomes payable only if there is both a change in control and a qualifying termination of employment. The

Compensation Committee approved the two times severance multiplier after consulting with its advisors and reviewing the severance provided by peer companies. The Change in Control Agreements do not provide for golden parachute excise tax gross-up payments.

Our RSU and performance share awards granted in 2018 provide for "double-trigger" vesting upon a qualifying termination of employment in connection with a change in control.

The Compensation Committee believes these change in control arrangements are appropriate in order to diminish the uncertainty and risk to the executives' roles in the context of a potential or actual change in control. The benefit levels under the Change in Control Agreements and equity awards are described in more detail under the "Potential Payments Upon Termination or Change in Control" section of this proxy statement.

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# Section 3: Competitive Market Practices

## Compensation Consultant

The Compensation Committee has engaged FW Cook to report directly to the Compensation Committee as its independent compensation consultant.

The compensation consultant generally attends each Compensation Committee meeting and provides advice to the Compensation Committee at the meetings, including reviewing and commenting on market compensation data used to establish the compensation of the executive officers and directors, the terms and performance goals applicable to incentive plan awards, and analysis with respect to specific projects and information regarding trends and competitive practices. The compensation consultant also routinely meets with the Compensation Committee members without management being present. When establishing the compensation program for our NEOs, the Compensation Committee considers input and recommendations from management, including Ms. Good, who attends the Compensation Committee meetings.

The consultant has been instructed that it is to provide completely independent advice to the Compensation Committee and is not permitted to provide any services to Duke Energy other than at the direction of the Compensation Committee. With the consent of the Chair of the Compensation Committee, the consultant may meet with management to discuss strategic issues with respect to executive compensation and assist the consultant in its engagement with the Compensation Committee.

The Compensation Committee has assessed the independence of FW Cook pursuant to SEC rules and concluded that no conflict of interest exists that would prevent the consulting firm from independently advising the Compensation Committee.

## Compensation Peer Group

One of our core compensation objectives is to attract and retain talented executive officers through total compensation that generally is competitive with that of other executives and key employees of similarly-sized companies with similar complexity, whether within or outside of the utility sector.

The Compensation Committee, with input and advice from its independent consultant, has developed a customized peer group for review of executive compensation levels and plan design practices.

The customized peer group consists of 21 similarly-sized companies from the utility and general sectors, with the general industry companies also having satisfied at least one of the following characteristics: (i) operates in capital intensive industry; (ii) operates in a highly regulated industry; (iii) has significant manufacturing operations; or (iv) derives more than 50% of revenue in the United States.

The customized peer group used by the Compensation Committee in February 2018 remained unchanged from 2017 (other than to exclude Dow Chemical and DuPont due to their merger in 2017) and consisted of:

**Compensation Peer Group**

| | | | |
|---|---|---|---|
| 3M | Dominion Resources* | General Dynamics | PG&E Corp.* |
| American Electric Power* | Eaton | International Paper | Southern* |
| CenturyLink | Edison International* | Lockheed Martin | UPS |
| Colgate-Palmolive | Exelon* | Medtronic | |
| Consolidated Edison* | FedEx | Monsanto** | |
| Deere & Co. | FirstEnergy* | NextEra Energy* | |

* Utility subset consisting of nine companies in the UTY.

** Monsanto was acquired by Bayer in June 2018 and has since been removed from the peer group.

The Compensation Committee also reviews executive compensation levels against a subset of the customized peer group consisting of nine companies in the UTY, and where appropriate, the Towers Watson Energy Services Executive Compensation database and the Towers Watson General Industry Executive Compensation database.

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# Section 4: Executive Compensation Policies

The following is a summary of our executive compensation policies, which reinforce our pay for performance philosophy and strengthen the alignment of interests of our executives and shareholders:

| Policy | Description |
|---|---|
| **Stock ownership policy** | We maintain meaningful stock ownership guidelines to reinforce the importance of Duke Energy stock ownership. These guidelines are intended to align the interests of executives and shareholders and to focus the executives on our long-term success. Under these guidelines, each of our current NEOs must own Duke Energy shares in accordance with the following schedule:<br>**Leadership Position** — **Value of Shares**<br>CEO — 6x Base Salary<br>Other NEOs — 3x Base Salary |
| **Stock holding policy** | Each NEO is required to hold 50% of all shares acquired under the LTI program (after payment of any applicable taxes) and 100% of all shares acquired upon the exercise of stock options (after payment of the exercise price and taxes) until the applicable stock ownership requirement is satisfied. Each of our NEOs was in compliance with the stock ownership/stock holding policy during 2018. |
| **Clawback policy** | We maintain a "clawback policy," which would allow us to recover (i) certain cash or equity based incentive compensation tied to financial results in the event those results were restated due at least in part to the recipient's fraud or misconduct, or (ii) an inadvertent payment based on an incorrect calculation. |
| **Hedging or pledging policy** | We have a policy that prohibits employees (including our NEOs) and directors from trading in options, warrants, puts, calls, or similar instruments in connection with Duke Energy securities, or selling Duke Energy securities "short." In 2017, we strengthened our pledging policy to prohibit the pledging of any Duke Energy securities, regardless of where or how such securities are held. |
| **Equity award grant policy** | In recognition of the importance of adhering to specific practices and procedures in the granting of equity awards, the Compensation Committee has adopted a policy that applies to the granting of equity awards. Under this policy, annual grants to our NEOs may be made at any previously scheduled meeting, provided that reasonable efforts will be made to make such grants at the first regularly scheduled meeting of each calendar year, and annual grants to independent directors may be made by the Board at any previously scheduled meeting, provided that reasonable efforts will be made to make such grants at the regularly scheduled meeting that is held in conjunction with the Annual Meeting each year. |

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| Policy | Description |
|---|---|
| **Risk assessment policy** | In consultation with the Compensation Committee, members of management from Duke Energy's Human Resources, Legal, and Risk Management Departments assessed whether our compensation policies and practices encourage excessive or inappropriate risk taking by our employees, including employees other than our NEOs. This assessment included a review of the risk characteristics of Duke Energy's business and the design of our incentive plans and policies. Management reported its findings to the Compensation Committee, and after review and discussion, the Compensation Committee concluded that our plans and policies do not encourage excessive or inappropriate risk taking. |
| **Shareholder approval policy for severance** | We have a policy generally to seek shareholder approval for any agreements with our NEOs that provide severance compensation in excess of 2.99x the executive's annual compensation or that provide for tax gross-ups in connection with a termination event. |

# Section 5: Tax and Accounting Implications

## Deductibility of Executive Compensation

The Compensation Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code, which provides that Duke Energy generally may not deduct, for federal income tax purposes, annual compensation in excess of $1 million paid to certain employees. Prior to 2018, performance-based compensation paid pursuant to shareholder approved plans was not subject to the deduction limit as long as such compensation is approved by "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code and certain other requirements are satisfied.

The Tax Cuts and Jobs Act, which was enacted on December 22, 2017, includes a number of significant changes to Section 162(m), such as the repeal of the performance-based compensation exemption and the expansion of the definition of "covered employees" (*e.g.*, by including the CFO and certain former NEOs as covered employees). As a result of these changes, except as otherwise provided in the transition relief provisions of the Tax Cuts and Jobs Act, compensation paid to any of our covered employees generally will not be deductible in 2018 or future years, to the extent that it exceeds $1 million.

The Compensation Committee has not adopted a policy that would have required all compensation to be deductible because the Compensation Committee wanted to preserve the ability to pay compensation to our executives in appropriate circumstances, even if such compensation would not be deductible under Section 162(m).

The Compensation Committee will continue to consider these implications (including the potential lack of deductibility under Section 162(m)) when making compensation decisions, but reserves the right to make compensation decisions based on other factors believed to be in the best interests of Duke Energy and our shareholders.

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## Accounting for Stock-Based Compensation

Stock-based compensation represents costs related to stock-based awards granted to employees and members of the Board. Duke Energy recognizes stock-based compensation based upon the estimated fair value of the awards, net of estimated forfeitures at the date of issuance. The recognition period for these costs begins at either the applicable service inception date or grant date, and continues throughout the requisite service period or, for certain share-based awards, until the employee becomes retirement eligible, if earlier. Compensation cost is recognized as expense or capitalized as a component of property, plant, and equipment.

## Non-GAAP Financial Measures

As described previously in this Compensation Discussion and Analysis, Duke Energy uses various financial measures, including adjusted diluted EPS, cumulative adjusted diluted EPS, and adjusted O&M expense, in connection with short-term and long-term incentives. Adjusted diluted EPS and cumulative adjusted diluted EPS are non-GAAP financial measures that represent diluted EPS from continuing operations attributable to Duke Energy shareholders, adjusted for the per-share impact of special items. Cumulative adjusted diluted EPS is calculated based on a cumulative three-year basis. As discussed below, special items include certain charges and credits that management believes are not indicative of Duke Energy's ongoing performance. A component of the operational excellence performance metric is adjusted O&M expense. The adjusted O&M expense measure used for incentive plan purposes also is a non-GAAP financial measure as it represents GAAP O&M adjusted primarily for expenses recovered through rate riders, certain regulatory accounting deferrals, and applicable special items. Management believes that the presentation of adjusted diluted EPS provides useful information to investors, as it provides them an additional relevant comparison of Duke Energy's performance across periods. Management uses this non-GAAP financial measure for planning and forecasting and for reporting financial results to the Board, employees, stockholders, analysts, and investors. The most directly comparable GAAP measures for adjusted diluted EPS and adjusted O&M expense measures used for incentive plan purposes are reported diluted EPS from continuing operations attributable to Duke Energy shareholders and reported O&M expense from continuing operations, which includes the impact of special items.

Special items for the periods presented include the following items, which management believes do not reflect ongoing costs:

- Costs to achieve mergers, which represent charges that result from strategic acquisitions.
- Regulatory and legislative impacts in 2018, which represent charges related to the Duke Energy Progress and Duke Energy Carolinas North Carolina rate case orders and the repeal of the South Carolina Base Load Review Act, and for 2017, it represents charges related to the Levy nuclear project in Florida and the Mayo Zero Liquid Discharge and Sutton combustion turbine projects in North Carolina.
- Impairment charges in 2018, which represent an asset impairment at Citrus County, a goodwill impairment at Commercial Renewables, and an other-than-temporary impairment of an investment in Constitution Pipeline Company, LLC. For 2017 and 2016, the charges represent other-than-temporary asset and goodwill impairments at Commercial Renewables.
- Sale of retired plant, which represents the loss associated with selling Beckjord, a nonregulated generating facility in Ohio.
- Impacts of the Tax Cut and Jobs Act in 2017 and 2018, which represent amounts recognized related to the tax law changes.
- Severance charges, which relate to company-wide initiatives, excluding merger integration, to standardize process and systems, leverage technology, and workforce optimization.

Adjusted earnings also include the operating results of Duke Energy International, which has been classified as discontinued operations. Management believes inclusion of the operating results of Duke Energy International within adjusted diluted EPS results in a better reflection of Duke Energy's financial performance during the period.

Adjusted EPS used in the LTI plan was adjusted for the net dilutive effect of equity issuances in 2018. Additionally, previously-approved target levels did not incorporate certain structural changes in Duke Energy's business from 2016 to 2018, including the sale of Duke Energy International and the acquisition of Piedmont. As such, adjusted EPS used in the LTI plan incorporates an expected level of operating results for

Duke Energy International and removes an expected level of operating results for Piedmont, net of any transaction proceeds or financing impacts from such transactions.

Duke Energy's adjusted EPS and adjusted O&M expense may not be comparable to similarly-titled measures of another company because other companies may not calculate the measures in the same manner.

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# EXECUTIVE COMPENSATION

## SUMMARY COMPENSATION TABLE

The following table provides compensation information for our CEO (Ms. Good), our CFO (Mr. Young) and our three other most highly compensated executive officers who were employed on December 31, 2018, (Mr. Jamil, Ms. Janson, and Mr. Yates).

| Name and Principal Position | Year | Salary ($) | Bonus ($) | Stock Awards ($)(1) | Option Awards ($) | Non-Equity Incentive Plan Compensation ($)(2) | Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(3) | All Other Compensation ($)(4) | Total ($) |
|---|---|---|---|---|---|---|---|---|---|
| **Lynn J. Good** | 2018 | 1,350,000 | 0 | 9,873,135 | 0 | 2,268,961 | 188,593 | 302,271 | 13,982,960 |
| Chairman, President and Chief Executive Officer | 2017 | 1,341,667 | 0 | 17,244,803 | 0 | 2,110,736 | 308,336 | 410,394 | 21,415,936 |
| | 2016 | 1,291,667 | 0 | 9,128,876 | 0 | 2,676,465 | 334,612 | 361,974 | 13,793,594 |
| **Steven K. Young** | 2018 | 707,438 | 0 | 1,558,502 | 0 | 616,903 | 161,336 | 88,576 | 3,132,755 |
| Executive Vice President and Chief Financial Officer | 2017 | 682,500 | 0 | 1,827,744 | 0 | 557,291 | 231,604 | 99,570 | 3,398,709 |
| | 2016 | 625,000 | 0 | 1,672,064 | 0 | 665,742 | 192,600 | 84,964 | 3,240,370 |
| **Dhiaa M. Jamil** | 2018 | 803,907 | 0 | 2,164,521 | 0 | 701,026 | 205,073 | 119,873 | 3,994,400 |
| Executive Vice President and Chief Operating Officer | 2017 | 781,250 | 0 | 3,191,191 | 0 | 643,863 | 270,064 | 101,834 | 4,988,202 |
| | 2016 | 737,500 | 0 | 3,069,081 | 0 | 832,658 | 224,991 | 81,218 | 4,945,448 |
| **Julia S. Janson** | 2018 | 638,021 | 0 | 1,405,548 | 0 | 566,067 | 0 | 80,040 | 2,689,676 |
| Executive Vice President, | 2017 | 608,333 | 0 | 2,172,889 | 0 | 496,731 | 404,315 | 76,282 | 3,758,550 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| External Affairs and Chief Legal Officer | 2016 | 520,833 | 0 | 1,434,996 | 0 | 588,035 | 832,261 | 55,873 | 3,431,998 |
| **Lloyd M. Yates** | 2018 | 701,060 | 0 | 1,544,470 | 0 | 600,685 | 0 | 106,578 | 2,952,793 |
| Executive Vice President, Customer and Delivery Operations and President, Carolinas Region | 2017 | 683,419 | 0 | 1,563,447 | 0 | 532,072 | 751,046 | 136,604 | 3,666,588 |
| | 2016 | 661,458 | 0 | 2,254,988 | 0 | 680,129 | 478,811 | 112,466 | 4,187,852 |

(1)

Grant Date Fair Value of Stock Awards for Accounting Purposes: This column does not reflect the value of stock awards that were actually earned or received by our NEOs during each of the years listed above. Rather, as required by applicable SEC rules, this column reflects the aggregate grant date fair value of the performance shares and performance-based retention grant (based on the probable outcome of the performance conditions as of the date of grant) and RSUs granted to our NEOs in the applicable year. The aggregate grant date fair value of the performance shares provided in 2018 to Ms. Good, Mr. Young, Mr. Jamil, Ms. Janson, and Mr. Yates, assuming that the highest level of performance would be achieved, is $13,671,304; $2,158,076; $2,997,183; $1,946,192; and $2,138,603; respectively. The aggregate grant date fair value of the awards was determined in accordance with the accounting guidance for stock-based compensation. See Note 21 of the Consolidated Financial Statements contained in our Form 10-K for an explanation of the assumptions made in valuing these awards.

(2)

With respect to the applicable performance period, this column reflects amounts payable under the STI plan. Unless deferred, the 2018 amounts were paid in March 2019.

(3)

This column includes the amounts listed below. The amounts listed were earned over the 12-month period ending on December 31, 2018.

| | **Good ($)** | **Young ($)** | **Jamil ($)** | **Janson ($)** | **Yates ($)** |
|---|---|---|---|---|---|
| Change in Actuarial Present Value of Accumulated Benefit Under: | | | | | |
| Duke Energy Retirement Cash Balance Plan | 35,722 | 40,753 | 47,773 | (13,007) | 2,525 |
| Duke Energy Executive Cash Balance Plan | 152,871 | 120,583 | 157,300 | (5,472) | (384,453) |
| **Total** | **188,593** | **161,336** | **205,073** | **(18,479)*** | **(381,928)*** |

*

As required by applicable SEC rules, the aggregate change in the actuarial present value of Ms. Janson's and Mr. Yates' benefits under the RCBP and the ECBP are reflected in this column as $0.

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(4) The All Other Compensation column includes the following for 2018:

| | Good ($) | Young ($) | Jamil ($) | Janson ($) | Yates ($) |
|---|---|---|---|---|---|
| Matching Contributions Under the Duke Energy Retirement Savings Plan | 16,500 | 16,500 | 16,500 | 16,500 | 16,500 |
| Make-Whole Matching Contribution Credits Under the Executive Savings Plan | 191,144 | 59,384 | 70,366 | 51,585 | 57,488 |
| Personal Use of Airplane* | 70,278 | 4,385 | 0 | 2,271 | 24,262 |
| Charitable Contributions Made in the Name of the Executive** | 5,000 | 5,000 | 15,000 | 4,250 | 0 |
| Financial Planning Program | 15,000 | 1,495 | 15,000 | 3,350 | 8,000 |
| Other*** | 4,349 | 1,812 | 3,007 | 2,084 | 328 |
| **Total** | **302,271** | **88,576** | **119,873** | **80,040** | **106,578** |

* Regarding use of corporate aircraft, NEOs are required to reimburse Duke Energy the direct operating costs of any personal travel, except Ms. Good is not required to reimburse Duke Energy for the cost of travel to her executive physical or to meetings of the board of directors of other companies on which board she serves. With respect to flights on a leased or chartered airplane, direct operating costs equal the amount that the third party charges Duke Energy for such trip. With respect to flights on the company-owned airplane, direct operating costs include the amounts permitted by the Federal Aviation Regulations for non-commercial carriers, including hangar fees, fuel, crew travel expenses, airplane maintenance, airplane depreciation, catering, labor, and aircraft leases. NEOs are permitted to invite their spouse or other guests to accompany them on business trips when space is available; however, in such events, the NEO is imputed income in accordance with IRS guidelines. The incremental cost included in the table above is the amount of the IRS-specified tax deduction disallowance, if any, with respect to the NEO's personal travel.

** Beginning in 2018, certain executives, including our NEOs, were eligible to have charitable contributions made to the United Way of $5,000 or more matched up to a cap of $10,000. This match of United Way charitable contributions is in addition to the $5,000 match opportunity to eligible organizations that continues to be available to all Duke Energy employees. Certain charitable contributions made by our NEOs are not eligible for matching under the Matching Gifts Program, and, therefore, are not listed above.

*** lncludes the cost of benefits under the executive physical exam program, an airline club membership, and occasional personal use of tickets to athletic and cultural events.

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**EXECUTIVE COMPENSATION**

# GRANTS OF PLAN-BASED AWARDS

| | | | Estimated Possible Payouts Under Non-Equity Incentive Plan Awards | | | Estimated Future Payouts Under Equity Incentive Plan Awards | | | All Other Stock Awards: Number of Shares of Stock or Units | Grant Date Fair Value of Stock Awards |
|---|---|---|---|---|---|---|---|---|---|---|
| **Name** | **Grant Type** | **Grant Date** | **Threshold ($)** | **Target ($)** | **Maximum ($)** | **Threshold (#)** | **Target (#)** | **Maximum (#)** | **(#)** | **($)(4)** |
| Lynn J. Good | Cash STI(1) | | 993,938 | 2,092,500 | 3,844,969 | | | | | |
| | LTI Perf. Shares(2) | 2/28/2018 | | | | 42,333 | 94,074 | 188,148 | | 6,835,652 |
| | Restricted Stock Units(3) | 2/28/2018 | | | | | | | 40,317 | 3,037,483 |
| Steven K. Young | Cash STI(1) | | 268,826 | 565,950 | 1,039,933 | | | | | |
| | LTI Perf. Shares(2) | 2/28/2018 | | | | 6,683 | 14,850 | 29,700 | | 1,079,038 |
| | Restricted Stock Units(3) | 2/28/2018 | | | | | | | 6,364 | 479,464 |
| Dhiaa M. Jamil | Cash STI(1) | | 305,485 | 643,125 | 1,181,743 | | | | | |
| | LTI Perf. Shares(2) | 2/28/2018 | | | | 9,281 | 20,624 | 41,248 | | 1,498,591 |
| | Restricted Stock Units(3) | 2/28/2018 | | | | | | | 8,839 | 665,930 |
| Julia S. Janson | Cash STI(1) | | 242,448 | 510,417 | 937,891 | | | | | |
| | LTI Perf. Shares(2) | 2/28/2018 | | | | 6,026 | 13,392 | 26,784 | | 973,096 |
| | | 2/28/2018 | | | | | | | 5,740 | 432,452 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Restricted Stock Units(3) | | | | | | | | | |
| Lloyd M. Yates | Cash STI(1) | | 266,403 | 560,848 | 1,030,558 | | | | | |
| | LTI Perf. Shares(2) | 2/28/2018 | | | | 6,622 | 14,716 | 29,432 | | 1,069,301 |
| | Restricted Stock Units(3) | 2/28/2018 | | | | | | | 6,307 | 475,169 |

(1) Reflects the STI opportunity granted to our NEOs in 2018 under the Duke Energy Corporation Executive Short-Term Incentive Plan. The information included in the "Threshold," "Target," and "Maximum" columns reflects the range of potential payouts under the plan established by the Compensation Committee. The actual amounts earned by each executive under the terms of such plan are disclosed in the Summary Compensation Table.

(2) Reflects the performance shares granted to our NEOs on February 28, 2018, under the LTI program, pursuant to the terms of the Duke Energy Corporation 2015 Long-Term Incentive Plan. The information included in the "Threshold," "Target," and "Maximum" columns reflects the range of potential payouts established by the Compensation Committee. Earned performance shares will be paid following the end of the 2018-2020 performance period, based on the extent to which the performance goals have been achieved. Any shares not earned are forfeited. In addition, following a determination that the performance goals have been achieved, participants will receive a cash payment equal to the amount of cash dividends paid on one share of Duke Energy common stock during the performance period multiplied by the number of performance shares earned.

(3) Reflects RSUs granted to our NEOs on February 28, 2018, under our LTI program, pursuant to the terms of the Duke Energy Corporation 2015 Long-Term Incentive Plan. These RSUs generally vest in equal portions on each of the first three anniversaries of the grant date, provided the recipient continues to be employed by Duke Energy on each vesting date. If dividends are paid during the vesting period, then the participants will receive a current cash payment equal to the amount of cash dividends paid on one share of Duke Energy common stock during the vesting period multiplied by the number of unvested RSUs.

(4) Reflects the grant date fair value of each RSU and performance share award (based on the probable outcome of the performance conditions as of the date of grant) granted to our NEOs in 2018, as computed in accordance with the accounting guidance for stock-based compensation.

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# OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table shows the outstanding equity awards held by our NEOs as of December 31, 2018.

| | | Stock Awards | | | |
|---|---|---|---|---|---|
| Name | Grant Type | Number of Shares or Units of Stock That Have Not Vested (#)(1) | Market Value of Shares or Units of Stock That Have Not Vested ($)(2) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(3) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(2) |
| Lynn J. Good | Restricted Stock Units | 77,863 | 7,715,262 | | |
| | Performance Shares (2017-2019) | | | 177,476 | 15,316,179 |
| | Performance Shares (2018-2020) | | | 188,148 | 16,237,172 |
| | Performance-Based Retention Award | | | 87,642 | 7,563,505 |
| Steven K. Young | Restricted Stock Units | 15,497 | 3,337,391 | | |
| | Performance Shares (2017-2019) | | | 27,332 | 2,358,752 |
| | Performance Shares (2018-2020) | | | 29,700 | 2,563,110 |
| | Performance-Based Retention Award | | | 3,130 | 270,119 |
| Dhiaa M. Jamil | Restricted Stock Units | 30,352 | 2,619,723 | | |
| | Performance Shares (2017-2019) | | | 37,960 | 3,275,948 |

| | | | | |
|---|---|---|---|---|
| | Performance Shares (2018-2020) | | 41,248 | 3,559,702 |
| | Performance-Based Retention Award | | 12,520 | 1,080,476 |
| Julia S. Janson | Restricted Stock Units | 14,174 | 223,216 | |
| | Performance Shares (2017-2019) | | 24,650 | 2,127,295 |
| | Performance Shares (2018-2020) | | 26,784 | 2,311,459 |
| | Performance-Based Retention Award | | 9,390 | 810,357 |
| Lloyd M. Yates | Restricted Stock Units | 22,186 | 914,652 | |
| | Performance Shares (2017-2019) | | 27,084 | 2,337,349 |
| | Performance Shares (2018-2020) | | 29,432 | 2,539,982 |

(1)

Ms. Good, Mr. Young, Mr. Jamil, Ms. Janson, and Mr. Yates received RSUs on February 24, 2016, February 22, 2017, and February 28, 2018, which vest, subject to certain exceptions, in equal installments on the first three anniversaries of the date of grant. In addition, Mr. Young, Mr. Jamil, Ms. Janson, and Mr. Yates also received additional retention grants of RSUs on February 24, 2016, that vest in full, subject to continued employment, on the third anniversary of the grant date.

(2)

Market value is based on the closing price per share of our common stock on December 31, 2018, of $86.30.

(3)

Ms. Good, Mr. Young, Mr. Jamil, Ms. Janson, and Mr. Yates received performance shares on February 22, 2017, and on February 28, 2018, that, subject to certain exceptions, are eligible for vesting on December 31, 2019, and December 31, 2020, respectively. Ms. Good, Mr. Young, Mr. Jamil, and Ms. Janson also received additional retention grants of performance-based RSUs on February 22, 2017, that, subject to certain exceptions, are eligible for vesting on the third anniversary of the date of grant. Pursuant to applicable SEC rules, the performance shares granted in 2017 and 2018 are listed at the maximum number of shares and the performance-based retention awards are listed at target.

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## OPTION EXERCISES AND STOCK VESTED

| Name | Stock Awards | |
|---|---|---|
| | Number of Shares Acquired on Vesting (#)(1) | Value Realized on Vesting ($)(2) |
| Lynn J. Good | 122,786 | 11,118,259 |
| Steven K. Young | 19,334 | 1,747,967 |
| Dhiaa M. Jamil | 27,652 | 2,506,526 |
| Julia S. Janson | 16,087 | 1,454,510 |
| Lloyd M. Yates | 20,331 | 1,840,052 |

(1) Includes vested RSUs, and performance shares covering the 2016-2018 performance period, for all NEOs. On February 13, 2019, the Compensation Committee certified the achievement of the applicable performance measures for the performance share cycle ending in 2018.

(2) The value realized upon vesting of stock awards was calculated based on the closing price of a share of Duke Energy common stock on the respective vesting date and includes the following cash payments for dividend equivalents on earned performance shares: Ms. Good: $854,669; Mr. Young: $133,134; Mr. Jamil: $193,712; Ms. Janson: $110,945; and Mr. Yates: $140,901. Dividend equivalents for the first quarter of 2019 are not included above but were paid due to the fact that the vested performance shares were not distributed until after the certification of performance results on February 13, 2019.

## PENSION BENEFITS

| Name | Plan Name | Number of Years Credited Service (#) | Present Value of Accumulated Benefit ($) | Payments During Last Fiscal Year ($) |
|---|---|---|---|---|
| Lynn J. Good | Duke Energy Retirement Cash Balance Plan | 15.67 | 364,890 | 0 |
| | Duke Energy Corporation Executive Cash Balance Plan | 15.67 | 6,140,170 | 0 |
| Steven K. | Duke Energy Retirement Cash Balance Plan | 38.51 | 796,187 | 0 |

| | | | | |
|---|---|---|---|---|
| Young | | | | |
| | Duke Energy Corporation Executive Cash Balance Plan | 38.51 | 1,057,460 | 0 |
| Dhiaa M. Jamil | Duke Energy Retirement Cash Balance Plan | 37.34 | 831,822 | 0 |
| | Duke Energy Corporation Executive Cash Balance Plan | 37.34 | 1,428,172 | 0 |
| Julia S. Janson | Duke Energy Retirement Cash Balance Plan | 31.00 | 1,453,980 | 0 |
| | Duke Energy Corporation Executive Cash Balance Plan | 31.00 | 3,575,724 | 0 |
| Lloyd M. Yates | Duke Energy Retirement Cash Balance Plan | 20.03 | 559,475 | 0 |
| | Duke Energy Corporation Executive Cash Balance Plan | 20.03 | 4,102,405 | 0 |

Duke Energy provides pension benefits that are intended to assist our retirees with their retirement income needs. A more detailed description of the plans that comprise Duke Energy's pension program follows.

## Duke Energy Retirement Cash Balance Plan

Ms. Good, Mr. Young, Mr. Jamil, Ms. Janson, and Mr. Yates actively participate in the RCBP, which is a noncontributory, defined benefit retirement plan that is intended to satisfy the requirements for qualification under Section 401(a) of the Internal Revenue Code. The RCBP generally covers employees of Duke Energy and affiliates, with certain exceptions for individuals employed or re-employed on or after January 1, 2014. The RCBP currently provides benefits under a "cash balance account" formula (described below are certain prior plan formulas). Ms. Good, Mr. Young, Mr. Jamil, Ms. Janson, and Mr. Yates have satisfied the eligibility requirements to receive his or her RCBP account benefit upon termination of employment. The RCBP benefit is payable in the form of a lump sum in the amount credited to a hypothetical account at the time of benefit commencement. Payment is also available in annuity forms based on the actuarial equivalent of the account balance.

The amount credited to the hypothetical account is increased with monthly pay credits equal to (i) for participants with combined age and service of less than 35 points, 4% of eligible monthly compensation, (ii) for participants with combined age and service of 35 to 49 points, 5% of eligible monthly compensation, (iii) for participants with combined age and service of 50 to 64 points, 6% of eligible monthly compensation, and (iv) for participants with combined age and service of 65 or more points, 7% of eligible monthly

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compensation. If the participant earns more than the Social Security wage base, the account is credited with additional pay credits equal to 4% of eligible compensation above the Social Security wage base. Interest credits are credited monthly. The interest rate for benefits accrued after 2012 is based on an annual interest factor of 4% and for benefits accrued before 2013 is based generally on the annual yield on the 30-year Treasury rate (determined quarterly), subject to a minimum of 4% and a maximum of 9%.

For the RCBP, eligible monthly compensation is equal to Form W-2 wages, plus elective deferrals under a 401(k), cafeteria, or 132(f) transportation plan, and deferrals under the Executive Savings Plan. Compensation does not include severance pay, payment for unused vacation (including banked vacation and banked time), expense reimbursements, allowances, cash or noncash fringe benefits, moving expenses, bonuses for performance periods in excess of one year, transition pay, LTI compensation (including income resulting from any stock-based awards such as stock options, stock appreciation rights, RSUs, or restricted stock), military leave of absence pay (including differential wage payments) and other compensation items to the extent described as not included for purposes of benefit plans or the RCBP. The benefit under the RCBP is limited by maximum benefits and compensation limits under the Internal Revenue Code.

Effective at the end of 2012, the Cinergy Plan was merged into the RCBP. The balances that Ms. Good and Ms. Janson had under the Cinergy Plan's "cash balance account" formula at the end of 2012 were credited to their hypothetical accounts under the RCBP. Prior to 2011, the Cinergy Plan also provided benefits under the Traditional Program formula, which provides benefits based on service and FAP. Pursuant to a choice program offered to all non-union participants in the Traditional Program formula in 2006, Ms. Janson elected to participate in the Cinergy Plan's cash balance account formula with the retention of her accrued benefit under the Traditional Program, which benefit is based on service through April 1, 2007, and by amendment applicable to Ms. Janson and other choice participants effective at the end of 2016, on pay through December 31, 2016, (with banked vacation taken into account at December 31, 2016). Ms. Good has always participated in the Cinergy Plan's cash balance account formula.

Under the Traditional Program, in which Ms. Janson participated prior to April 1, 2007, and which was frozen as of December 31, 2016, each participant earns a benefit under a final average pay formula, which calculates pension benefits based on a participant's "highest average earnings" and years of plan participation. The Traditional Program benefit is payable following normal retirement at age 65, following early retirement at or after age 50 with three or more years of service (with reduction in the life annuity for commencement before age 62 in accordance with prescribed factors) and at or after age 55 with combined age and service of 85 points (with no reduction in the life annuity for commencement before normal retirement age). Ms. Janson is eligible for an early retirement benefit, the amount of which would be reduced as of December 31, 2018, for early commencement. Payment to Ms. Janson is available in a variety of annuity forms and in the form of a lump sum that is the actuarial equivalent of the benefit payable to her under the Traditional Program.

The Traditional Program benefit formula is the sum of (a), (b), and (c), where (a) is 1.1% of FAP times years of participation (up to a maximum of 35 years); (b) is 0.5% times FAP in excess of monthly Social Security covered compensation times years of participation (up to a maximum of 35 years); and (c) is 1.55% of FAP times years of participation in excess of 35. The benefit under the Traditional Program will not be less than the minimum formula, which is the sum of (x) and (y), where (x) is the lesser of (i) 1.12% of FAP times years of participation (up to a maximum of 35 years) plus 0.5% times FAP in excess of monthly Social Security covered compensation times years of participation (up to a maximum of 35 years), or (ii) 1.163% of FAP times years of participation (up to a maximum of 35 years); and (y) is 1.492% of FAP times years of participation over 35 years. Social Security covered compensation is the average of the Social Security wage bases during the 35 calendar years ending in the year the participant reaches Social Security retirement age.

Under the Traditional Program, as part of the administrative record keeping process established in 1998, creditable service for Ms. Janson and similarly situated employees was established from the beginning of the year of hire. The number of actual years of service by Ms. Janson with us or an affiliated company, established from the beginning of the year of hire, is the same as the number of credited years of service under the RCBP (and the ECBP), and, therefore, no benefit augmentation resulted under the RCBP (and the ECBP) to Ms. Janson as a result of any difference in the number of years of actual and credited service. Ms. Janson's years of participation under the Traditional Program is frozen as of April 1, 2007.

FAP is the average of the participant's total pay during the three consecutive years of highest pay from the last ten years of participation at December 31, 2016, (including banked vacation taken into account at December 31, 2016, determined by multiplying the participant's weeks of unused banked vacation as of December 31, 2016, by the participant's rate of pay as of December 31, 2016). This is determined, at December 31, 2016, using the three consecutive calendar years or last 36 months of participation that yield the highest FAP. Ms. Janson's FAP under the Traditional Program is frozen as of December 31, 2016.

Total pay under the Traditional Program includes base salary or wages, overtime pay, shift premiums, work schedule recognition pay, holiday premiums, retirement bank vacation pay, performance lump-sum pay, annual cash incentive plan awards, and annual performance cash awards. Total pay does not include reimbursements or other expense allowances, imputed income, fringe benefits, moving and relocation expenses,

deferred compensation, welfare benefits, long-term performance awards, and executive individual incentive awards. The benefit under the Traditional Program is limited by maximum benefits and compensation limits under the Internal Revenue Code.

Effective at the end of 2015, the Progress Plan was merged into the RCBP. The balance that Mr. Yates had under the Progress Plan's "cash balance account" formula at the end of 2015 was

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credited to his hypothetical account under the RCBP. After 2013, the Progress Plan provided for cash balance benefits under the same formula as the RCBP. Prior to 2014, pay credits ranged from 3% to 7% depending on the participant's age at the beginning of each plan year, plus an additional similar credit on eligible pay above 80% of the Social Security wage base. Interest credits for benefits accrued before 2014 are based on an annual interest credit rate of 4% and are added to cash balance accounts on December 31 of each year based on account balances as of January 1. At benefit commencement, an employee has several lump-sum and annuity payment options.

## Duke Energy Corporation Executive Cash Balance Plan

Mr. Young, Mr. Jamil, Mr. Yates, and Ms. Janson actively participate in the ECBP, which is a noncontributory, defined benefit retirement plan that is not intended to satisfy the requirements for qualification under Section 401(a) of the Internal Revenue Code. Benefits earned under the ECBP are attributable to (i) compensation in excess of the annual compensation limit ($280,000 for 2019) under the Internal Revenue Code that applies to the determination of pay credits under the RCBP; (ii) restoration of benefits in excess of a defined benefit plan maximum annual benefit limit ($225,000 for 2019) under the Internal Revenue Code that applies to the RCBP; and (iii) supplemental benefits granted to a particular participant. Generally, benefits earned under the RCBP and the ECBP vest upon completion of three years of service, and, with certain exceptions, vested benefits generally become payable upon termination of employment with Duke Energy.

Amounts were credited to an account established for Ms. Good under the ECBP pursuant to an amendment to her prior employment agreement that was negotiated in connection with the merger of Cinergy Corp. and Duke Energy. Ms. Good will not earn any additional benefits under any nonqualified defined benefit plan (other than future interest credits under the ECBP) unless and until she continues employment with Duke Energy past age 62.

Effective as of July 2, 2012, (*i.e.*, the closing of the Duke Energy/Progress Energy merger), the portion of the Progress Energy Supplemental Plan relating to the 10 active participants in the Progress Energy Supplemental Plan, including Mr. Yates, was merged into the ECBP, resulting in the nonqualified retirement benefits that were originally to be provided to the Progress Energy participants under the Progress Energy Supplemental Plan, to be instead provided pursuant to the ECBP. The ECBP provides that Mr. Yates will participate in the ECBP and, subject to the terms and conditions of the ECBP, be entitled to nonqualified retirement benefits equal to the greater of:

- The sum of (i) the accrued benefit under the Progress Energy Supplemental Plan frozen as of July 2, 2012, (based on applicable service and compensation earned prior to July 2, 2012), and (ii) future benefits under the ECBP with respect to service and compensation levels following July 2, 2012; or

- The benefits earned under the Progress Energy Supplemental Plan, as increased by post-July 2, 2012, service and cost of living adjustments.

Mr. Yates participates in the Progress Energy Supplemental Plan formula of the ECBP and is fully vested in his benefit. Payments attributable to the Progress Energy Supplemental Plan formula generally are made in the form of an annuity, payable at age 65. The monthly payment is calculated using a formula that equates to 4% per year of service (capped at 62%) multiplied by the average monthly eligible pay (annual base salary and annual cash incentive award) for the highest completed 36 months of eligible pay within the preceding 120-month period. Benefits under the Progress Energy Supplemental Plan formula are fully offset by Social Security benefits and by benefits paid under the RCBP. An executive officer who is age 55 or older with at least 15 years of service (including Mr. Yates, who has attained age 55 with at least 15 years of service) may elect to retire prior to age 65 and his or her benefit generally will commence within 60 days of the first calendar month following retirement. The early retirement benefit will be reduced by 2.5% for each year the participant receives the benefit prior to reaching age 65. All service with Duke Energy and its affiliates is treated as eligible service for purposes of meeting the Progress Energy Supplemental Plan's eligibility requirements.

**Present Value Assumptions**

Because the pension amounts shown in the Pension Benefits Table are the present values of current accrued retirement benefits, numerous assumptions must be applied. The values are based on the same assumptions as used in our Annual Report, except as required by applicable SEC rules. Such assumptions include a 4.3% discount rate and an interest crediting rate of 4.25% for Duke Energy cash balance accounts for benefits accrued before 2013 and 4% for benefits accrued after 2012 and 4% for the prior Progress Plan cash balance accounts. For Ms. Good, Mr. Young, Mr. Jamil, and Ms. Janson, the assumed form of payment for the RCBP is that a lump sum will be elected 86% of the time and an annuity (*i.e.*, single life annuity, if single, and 100% joint and survivor annuity, if married) will be elected 14% of the time, and the assumed

form of payment under the ECBP is a lump sum. For Mr. Yates, the assumed form of payment for the RCBP is that a lump sum will be elected 84% of the time and an annuity (*i.e.*, single life annuity, if single, and 50% joint and survivor annuity, if married) will be elected 16% of the time, and the assumed form of payment under the ECBP is the 50% joint and survivor annuity. The post-retirement mortality assumption is consistent with that used in our Form 10-K. Benefits are assumed to commence at age 55 for Ms. Janson, age 62 for Ms. Good, and at age 65 for Mr. Young, Mr. Jamil, and Mr. Yates, or the NEO's current age (if later), and each NEO is assumed to remain employed until that age.

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# NONQUALIFIED DEFERRED COMPENSATION

| Name | Executive Contributions in Last FY ($)(1) | Registrant Contributions in Last FY ($)(2) | Aggregate Earnings in Last FY ($) | Aggregate Withdrawals/ Distributions ($) | Aggregate Balance at Last FYE ($)(3) |
|---|---|---|---|---|---|
| **Lynn J. Good**<br>*Executive Savings Plan* | 217,138 | 191,144 | (99,527) | 0 | 2,863,665 |
| **Steven K. Young**<br>*Executive Savings Plan* | 60,048 | 59,384 | (60,433) | 0 | 1,205,307 |
| **Dhiaa M. Jamil**<br>*Executive Savings Plan* | 175,257 | 70,366 | (127,192) | 0 | 3,582,712 |
| **Julia S. Janson**<br>*Executive Savings Plan* | 72,245 | 51,585 | (98,439) | 0 | 1,135,010 |
| **Lloyd M. Yates**<br>*Executive Savings Plan* | 56,085 | 57,488 | (33,435) | 0 | 3,224,157 |

(1) Includes $81,000, $35,372, $38,281, and $56,085 of salary deferrals credited to the plan in 2018 on behalf of Ms. Good, Mr. Young, Ms. Janson, and Mr. Yates, respectively, which are included in the salary column of the Summary Compensation Table. Includes $136,138; $24,676; $175,257; and $33,964 of STI deferrals earned in 2018 and credited to the plan in 2019 on behalf of Ms. Good, Mr. Young, Mr. Jamil, and Ms. Janson, respectively, which are included in the Non-Equity Incentive Compensation Plan column of the Summary Compensation Table.

(2) Reflects make-whole matching contribution credits made under the Executive Savings Plan, which are reported in the All Other Compensation column of the Summary Compensation Table.

(3) The aggregate balance as of December 31, 2018, for each NEO includes the following aggregate amount of prior deferrals of base salary and STI, as well as employer matching contributions, that were previously earned and reported as compensation on the Summary Compensation Table for the years 2008 through 2017: (i) Ms. Good $2,103,720; (ii) Mr. Young $394,732; (iii) Mr. Jamil $1,341,774; (iv) Ms. Janson $310,157; and (v) Mr. Yates $486,727. These amounts have since been adjusted, pursuant to the terms of the Executive Savings Plan for investment performance (*i.e.*, earnings and losses), deferrals, contributions and distributions. The aggregate balance as of December 31, 2018, also includes amounts earned in 2018 but credited to the plan in 2019, including the amounts described in footnotes 1 and 2 above.

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**EXECUTIVE COMPENSATION**

## Duke Energy Corporation Executive Savings Plan

Under the Executive Savings Plan, participants can elect to defer a portion of their base salary and STI compensation. Participants also receive a company matching contribution in excess of the contribution limits prescribed by the Internal Revenue Code under the Retirement Savings Plan, which is the 401(k) plan in which our NEOs participate.*

In general, payments are made following termination of employment or death in the form of a lump sum or installments, as selected by the participant. Participants may direct the deemed investment of base salary deferrals, STI deferrals, and matching contributions among investment options available under the Retirement Savings Plan, including the Duke Energy Common Stock Fund. Participants may change their investment elections on a daily basis. The benefits payable under the plan are unfunded and subject to the claims of Duke Energy's creditors.

Mr. Yates previously participated in the MDCP, the MICP, and the PSSP, each of which permitted voluntary deferrals and was merged with and into the Executive Savings Plan at the end of 2013. In addition to voluntary deferrals, the MDCP also provided for employer contributions of 6% of base salary over the limits prescribed by the Internal Revenue Code under the Progress Energy 401(k) Savings and Stock Ownership Plan. With respect to the plans that were merged into the Executive Savings Plan, participants are entitled to the same benefits, distribution timing, and forms of benefit that were provided by the MDCP, MICP, and PSSP immediately prior to January 1, 2014. These pre-2014 benefits generally are payable following termination of employment or, in certain cases, on a date previously specified by the participant, in the form of a lump sum or installments, as selected by the participant.

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* The Retirement Savings Plan is a tax-qualified "401(k) plan" that provides a means for employees to save for retirement on a tax-favored basis and to receive an employer matching contribution. The employer matching contribution is equal to 100% of our NEO's before-tax and Roth 401(k) contributions (excluding "catch-up" contributions) with respect to 6% of eligible pay. For this purpose, "eligible pay" includes base salary and STI compensation. Earnings on amounts credited to the Retirement Savings Plan are determined based on the performance of investment funds (including a Duke Energy Common Stock Fund) selected by each participant.

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# POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

Under certain circumstances, each NEO would be entitled to compensation in the event his or her employment terminates or upon a change in control. The amount of the compensation is contingent upon a variety of factors, including the circumstances under which he or she terminates employment. The relevant agreements that each NEO has entered into with Duke Energy are described below, followed by a table on page 64 that quantifies the amount that would become payable to each NEO as a result of his or her termination of employment.

The amounts shown assume that such termination was effective as of December 31, 2018, and are merely estimates of the amounts that would be paid to our NEOs upon their termination. The actual amounts to be paid can only be determined at the time of such NEO's termination of employment.

The table shown on page 64 does not include certain amounts that have been earned and that are payable without regard to the NEO's termination of employment. Such amounts, however, are described immediately following the table.

Under each of the compensation arrangements described below for Ms. Good, Mr. Young, Mr. Jamil, Ms. Janson, and Mr. Yates, "change in control" generally means the occurrence of one of the following: (i) the date any person or group becomes the beneficial owner of 30% or more of the combined voting power of Duke Energy's then outstanding securities; (ii) during any period of two consecutive years, the directors serving at the beginning of such period or who are elected thereafter with the support of not less than two-thirds of those directors cease for any reason other than death, disability, or retirement to constitute at least a majority thereof; (iii) the consummation of a merger, consolidation, reorganization, or similar corporate transaction, which has been approved by the shareholders of Duke Energy, regardless of whether Duke Energy is the surviving company, unless Duke Energy's outstanding voting securities immediately prior to the transaction continue to represent at least 50% of the combined voting power of the outstanding voting securities of the surviving entity immediately after the transaction; (iv) the consummation of a sale of all or substantially all of the assets of Duke Energy or a complete liquidation or dissolution, which has been approved by the shareholders of Duke Energy; or (v) under certain arrangements, the date of any other event that the Board determines should constitute a change in control.

## Employment Agreement with Ms. Good

Effective July 1, 2013, Duke Energy entered into an employment agreement with Ms. Good that contained a three-year initial term and automatically renews for additional one-year periods at the end of the initial term unless either party provides 120 days' advance notice. In the event of a change in control of Duke Energy, the term automatically extends to a period of two years. Upon a termination of Ms. Good's employment by Duke Energy without "cause" or by Ms. Good for "good reason" (each as defined below), the following severance payments and benefits would be payable: (i) a lump-sum payment equal to a pro rata amount of her annual bonus for the portion of the year that the termination of employment occurs during which she was employed, determined based on the actual achievement of performance goals; (ii) a lump-sum payment equal to 2.99 times the sum of her annual base salary and target annual bonus opportunity; (iii) continued access to medical and dental benefits for 2.99 years, with monthly amounts relating to Duke Energy's portion of the costs of such coverage paid by Duke Energy (reduced by coverage provided by future employers, if any) and a lump-sum payment equal to the cost of basic life insurance coverage for 2.99 years; (iv) one year of outplacement services; (v) if termination occurs within 30 days prior to, or two years after a change in control of Duke Energy, vesting in unvested retirement plan benefits that would have vested during the two years following the change in control and a lump-sum payment equal to the maximum contributions and allocations that would have been made or allocated if she had remained employed for an additional 2.99 years; and (vi) 2.99 additional years of vesting with respect to equity awards and an extended period to exercise outstanding vested stock options following termination of employment.

Ms. Good is not entitled to any form of tax gross-up in connection with Sections 280G and 4999 of the Internal Revenue Code. Instead, in the event that the severance payments or benefits otherwise would constitute an "excess parachute payment" (as defined in Section 280G of the Internal Revenue Code), the amount of payments or benefits would be reduced to the maximum level that would not result in an excise tax under Section 4999 of the Internal Revenue Code if such reduction would cause Ms. Good to retain an after-tax amount in excess of what would be retained if no reduction were made.

Under Ms. Good's employment agreement, "cause" generally means, unless cured within 30 days, (i) a material failure by Ms. Good to carry out, or malfeasance or gross insubordination in carrying out, reasonably assigned duties or instructions consistent with her position; (ii) the final conviction of Ms. Good of a felony or crime involving moral turpitude; (iii) an egregious act of dishonesty by Ms. Good in connection with employment, or a malicious action by Ms. Good toward the customers or employees of Duke Energy; (iv) a material breach by Ms. Good of Duke Energy's Code of Business Ethics; or (v) the failure of Ms. Good to cooperate fully with governmental investigations involving Duke Energy. "Good reason," for this purpose, generally means, unless cured within 30 days, (i) a material

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reduction in Ms. Good's annual base salary or target annual bonus opportunity (exclusive of any across-the-board reduction similarly affecting substantially all similarly situated employees); or (ii) a material diminution in Ms. Good's positions (including status, offices, titles, and reporting relationships), authority, duties or responsibilities or any failure by the Board to nominate Ms. Good for re-election as a member of the Board.

Ms. Good's employment agreement contains restrictive covenants related to confidentiality, mutual no disparagement, noncompetition, and nonsolicitation obligations. The noncompetition and nonsolicitation obligations survive for two years following her termination of employment.

## Other Named Executive Officers

Duke Energy entered into a Change in Control Agreement with Mr. Young effective as of July 1, 2005, and with Mr. Jamil effective as of February 26, 2008, both of which were amended and restated effective as of August 26, 2008, and subsequently amended effective as of January 8, 2011. Duke Energy entered into a Change in Control Agreement with Ms. Janson effective as of December 17, 2012, and with Mr. Yates effective as of July 3, 2014. The agreements have an initial term of two years commencing as of the original effective date, after which the agreements automatically extend, unless six months' prior written notice is provided, on a month-to-month basis.

The Change in Control Agreements provide for payments and benefits to the executive in the event of termination of employment within two years after a "change in control" by Duke Energy without "cause" or by the executive for "good reason" (each as defined below) as follows: (i) a lump-sum cash payment equal to a pro rata amount of the executive's target bonus for the year in which the termination occurs; (ii) a lump-sum cash payment equal to two times the sum of the executive's annual base salary and target annual bonus opportunity in effect immediately prior to termination or, if higher, in effect immediately prior to the first occurrence of an event or circumstance constituting "good reason;" (iii) continued medical, dental, and basic life insurance coverage for a two-year period or a lump-sum cash payment of equivalent value (reduced by coverage obtained by subsequent employers); and (iv) a lump-sum cash payment of the amount Duke Energy would have allocated or contributed to the executive's qualified and nonqualified defined benefit pension plan and defined contribution savings plan accounts during the two years following the termination date, plus the unvested portion, if any, of the executive's accounts as of the date of termination that would have vested during the remaining term of the agreement. If the executive would have become eligible for normal retirement at age 65 within the two-year period following termination, the two times multiple or two-year period mentioned above will be reduced to the period from the termination date to the executive's normal retirement date. The agreements also provide for enhanced benefits (*i.e.*, two years of additional vesting) with respect to equity awards.

Under the Change in Control Agreements, each NEO also is entitled to reimbursement of up to $50,000 for the cost of certain legal fees incurred in connection with claims under the agreements. In the event that any of the payments or benefits provided for in the Change in Control Agreement otherwise would constitute an "excess parachute payment" (as defined in Section 280G of the Internal Revenue Code), the amount of payments or benefits would be reduced to the maximum level that would not result in excise tax under Section 4999 of the Internal Revenue Code if such reduction would cause the executive to retain an after-tax amount in excess of what would be retained if no reduction were made. In the event a NEO becomes entitled to payments and benefits under a Change in Control Agreement, he or she would be subject to a one-year noncompetition and nonsolicitation provision from the date of termination, in addition to certain confidentiality and cooperation provisions.

The Executive Severance Plan provides certain executives, including Mr. Young, Mr. Jamil, Ms. Janson, and Mr. Yates with severance payments and benefits upon a termination of employment under certain circumstances. Pursuant to the terms of the Executive Severance Plan, Tier I Participants, which include our NEOs, would be entitled, subject to the execution of a waiver and release of claims, to the following payments and benefits in the event of a termination of employment by (a) Duke Energy other than for "cause" (as defined below), death or disability, or (b) the participant for "good reason" (as defined below): (i) a lump-sum payment equal to a pro rata amount of the participant's annual bonus for the year that the termination of employment occurs, determined based on the actual achievement of performance goals under the applicable performance-based bonus plan; (ii) a lump-sum payment equal to two times the sum of the participant's annual base salary and target annual bonus opportunity in effect immediately prior to termination of employment or, if higher, in effect immediately prior to the first occurrence of an event or circumstance constituting "good reason;" (iii) continued access to medical and dental insurance for a two-year period following termination of employment, with monthly amounts relating to Duke Energy's portion of the costs of such coverage paid to the participant by Duke Energy (reduced by coverage provided to the participant by future employers, if any) and a lump-sum payment equal to the cost of two years of basic life insurance coverage; (iv) one year of outplacement services; and (v) two additional years of vesting with respect to equity awards and an extended period to exercise outstanding vested stock options following termination of employment.

The Executive Severance Plan also provides that, in the event any of the payments or benefits provided for in the Executive Severance Plan otherwise would constitute an "excess parachute payment" (as defined in Section 280G of the Internal Revenue Code), the amount of payments or benefits would be reduced to the maximum level that would not result in an excise

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tax under Section 4999 of the Internal Revenue Code if such reduction would cause the executive to retain an after-tax amount in excess of what would be retained if no reduction were made. In the event a participant becomes entitled to payments and benefits under the Executive Severance Plan, he or she would be subject to certain restrictive covenants, including those related to noncompetition, nonsolicitation, and confidentiality.

Duke Energy has the right to terminate any participant's participation in the Executive Severance Plan but must provide the participant with one year's notice and the participant would continue to be eligible for all severance payments and benefits under the Executive Severance Plan during the notice period. Any employee who is eligible for severance payments and benefits under a separate agreement or plan maintained by Duke Energy (such as a Change of Control Agreement) would receive compensation and benefits under such other agreement or plan (and not the Executive Severance Plan).

For purposes of the Change in Control Agreements and the Executive Severance Plan, "cause" generally means, unless cured within 30 days, (i) a material failure by the executive to carry out, or malfeasance or gross insubordination in carrying out, reasonably assigned duties or instructions consistent with the executive's position; (ii) the final conviction of the executive of a felony or crime involving moral turpitude; (iii) an egregious act of dishonesty by the executive in connection with employment, or a malicious action by the executive toward the customers or employees of Duke Energy; (iv) a material breach by the executive of Duke Energy's Code of Business Ethics; or (v) the failure of the executive to cooperate fully with governmental investigations involving Duke Energy. "Good reason," for this purpose, generally means (i) a material reduction in the executive's annual base salary or target annual bonus opportunity as in effect either immediately prior to the change in control or the termination under the Executive Severance Plan (exclusive of any across-the-board reduction similarly affecting substantially all similarly situated employees); or (ii) a material diminution in the participant's positions (including status, offices, titles, and reporting relationships), authority, duties, or responsibilities as in effect either immediately prior to the change in control or immediately prior to a Tier I Participant's termination of employment under the Executive Severance Plan.

## Equity Awards Consequences of Termination of Employment

As described above, each year Duke Energy grants long-term incentives to our executive officers, and the terms of these awards vary somewhat from year to year. The following table summarizes the consequences under Duke Energy's LTI award agreements, without giving effect to Ms. Good's employment agreement, the Change in Control Agreements or the Executive Severance Plan described above, that would generally occur with respect to outstanding equity awards in the event of the termination of employment of Ms. Good, Mr. Young, Mr. Jamil, Ms. Janson, and Mr. Yates.

| Award Type | Event | Consequences |
|---|---|---|
| RSUs | Retirement* | Unvested RSUs prorated and vest |
| | Voluntary termination** | Unvested RSUs are forfeited |
| | Death or disability | Unvested RSUs immediately vest |
| | Change in control | No impact absent termination of employment; immediate vesting of unvested RSUs if involuntarily terminated after a change in control |
| Performance Share Awards | Retirement*<br>Death & Disability | Prorated portion vests based on actual performance |
| | Voluntary termination** | Award is forfeited |
| | Change in control | Awards granted after 2017: No impact absent termination of employment; prorated portion vests based on actual performance if involuntarily terminated after a change in control<br>Awards granted prior to 2018: Prorated portion of award vests based on target performance |

| | | |
|---|---|---|
| | Retirement*<br>Voluntary termination** | Award is forfeited |
| Performance-Based Retention Awards | Death or disability | Award immediately vests |
| | Change in control | No impact absent termination of employment; immediate vesting of unvested RSUs if involuntarily terminated after a change in control |

* Age 55 with at least 10 years of service

** Not retirement eligible

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# POTENTIAL PAYMENTS UPON TERMINATION OR A CHANGE IN CONTROL

| Name and Triggering Event | Cash Severance Payment ($)(1) | Incremental Retirement Plan Benefit ($)(2) | Welfare and Other Benefits ($)(3) | Stock Awards ($) |
|---|---|---|---|---|
| **Lynn J. Good** | | | | |
| Voluntary termination without good reason | 0 | 0 | 0 | 11,638,634 |
| Involuntary or good reason termination under Employment Agreement | 10,293,075 | 0 | 66,910 | 33,131,682 |
| Involuntary or good reason termination after a change in control | 10,293,075 | 695,543 | 66,910 | 32,030,129 |
| Death or Disability(4) | 0 | 0 | 0 | 23,792,766 |
| **Steven K. Young** | | | | |
| Voluntary termination without good reason | 0 | 0 | 0 | 1,809,594 |
| Involuntary or good reason termination under Executive Severance Plan | 2,557,170 | 0 | 35,260 | 4,409,343 |
| Involuntary or good reason termination after a change in control | 2,557,170 | 424,039 | 39,468 | 4,296,432 |
| Death or Disability(4) | 0 | 0 | 0 | 3,000,205 |
| **Dhiaa M. Jamil** | | | | |
| Voluntary termination without good reason | 0 | 0 | 0 | 2,522,360 |
| | 2,905,877 | 0 | 35,572 | 7,696,930 |

| | | | | |
|---|---|---|---|---|
| Involuntary or good reason termination under Executive Severance Plan | | | | |
| Involuntary or good reason termination after a change in control | 2,905,877 | 483,319 | 39,780 | 7,517,342 |
| Death or Disability(4) | 0 | 0 | 0 | 5,700,782 |
| **Julia S. Janson** | | | | |
| Voluntary termination without good reason | 0 | 0 | 0 | 0 |
| Involuntary or good reason termination under Executive Severance Plan | 2,306,250 | 0 | 38,228 | 4,632,541 |
| Involuntary or good reason termination after a change in control | 2,306,250 | 381,383 | 43,600 | 4,512,411 |
| Death or Disability(4) | 0 | 0 | 0 | 3,342,992 |
| **Lloyd M. Yates** | | | | |
| Voluntary termination without good reason | 0 | 0 | 0 | 1,802,736 |
| Involuntary or good reason termination under Executive Severance Plan | 2,534,116 | 0 | 34,232 | 4,669,845 |
| Involuntary or good reason termination after a change in control | 2,534,116 | 420,120 | 54,430 | 4,566,593 |
| Death or Disability(4) | 0 | 0 | 0 | 3,269,562 |

(1) The amounts listed under "Cash Severance Payment" are payable under (i) the terms of Ms. Good's employment agreement; (ii) the Change in Control Agreements of Mr. Young, Mr. Jamil, Ms. Janson, and Mr. Yates; or (iii) the Executive Severance Plan.

(2) The amounts listed under "Incremental Retirement Plan Benefit" are payable under the terms of Ms. Good's employment agreement and the Change in Control Agreements of Mr. Young, Mr. Jamil, Ms. Janson, and

Mr. Yates. They represent the additional amount that would have been contributed to the RCBP, ECBP, Retirement Savings Plan, and the Executive Savings Plan in the event the NEO had continued to be employed by Duke Energy for (i) 2.99 years for Ms. Good or (ii) two additional years after the actual date of termination for the other NEOs.

(3)

The amounts listed under "Welfare and Other Benefits" include the amount that would be paid to each NEO in lieu of providing continued welfare benefits and basic life coverage. This continued coverage represents (i) 2.99 years for Ms. Good or (ii) two years for the other NEOs. In addition to the amounts shown above, access to outplacement services for a period of up to one year after termination will be provided to Ms. Good if terminating under her employment agreement or to any NEO terminating under the Executive Severance Plan.

(4)

In the event of a termination of employment due to long-term disability, because the payment of RSUs would be delayed for an additional six months as required by applicable tax rules, additional dividend equivalent payments would be made in the amount of $108,859; $23,214; $48,510; $21,423; and $35,554 for Ms. Good, Mr. Young, Mr. Jamil, Ms. Janson, and Mr. Yates, respectively.

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## Assumptions and Other Considerations

The amounts listed on the previous page have been determined based on a variety of assumptions, including with respect to the limits on qualified retirement plan benefits under the Internal Revenue Code. The actual amounts to be paid out can only be determined at the time of each NEO's termination of employment. The amounts described in the table do not include compensation to which each NEO would be entitled without regard to his or her termination of employment, including (i) base salary and STI that have been earned but not yet paid; (ii) amounts that have been earned, but not yet paid, under the terms of the plans listed under the Pension Benefits and Nonqualified Deferred Compensation tables; (iii) unused vacation; and (iv) the potential reimbursement of legal fees.

The amounts shown on the previous page do not reflect the fact that, under Ms. Good's employment agreement and under the Change in Control Agreements that Duke Energy has entered into with Mr. Young, Mr. Jamil, Ms. Janson, and Mr. Yates, in the event that payments to any such executive in connection with a change in control otherwise would result in a golden parachute excise tax and lost tax deduction under Sections 280G and 4999 of the Internal Revenue Code, such amounts would be reduced to the extent necessary so that such tax would not apply under certain circumstances.

The amounts shown above with respect to stock awards were calculated based on a variety of assumptions, including the following: (i) the NEO terminated employment on December 31, 2018; (ii) a stock price for Duke Energy common stock equal to $86.30, which was the closing price on December 31, 2018; (iii) the continuation of Duke Energy's dividend at the rate in effect during the first quarter of 2019; and (iv) performance at the target level with respect to performance shares.

## Potential Payments Due Upon a Change in Control

Other than as described below, the occurrence of a change in control of Duke Energy would not trigger the payment of benefits to the NEOs absent a termination of employment. If a change in control of Duke Energy occurred on December 31, 2018, with respect to each NEO, the outstanding performance share awards granted by Duke Energy prior to 2018, including dividend equivalents, would be paid on a prorated basis assuming target performance. As of December 31, 2018, these prorated shares, including dividend equivalents, would have had a value of $5,586,089, $860,306, $1,194,760, $775,890 and $852,469, for Ms. Good, Mr. Young, Mr. Jamil, Ms. Janson, and Mr. Yates, respectively.

## CEO Pay Ratio

As required by SEC rules, we are providing the following information about the ratio of the 2018 annual total compensation of Lynn Good, our CEO, to the annual total compensation of our median employee.

We estimated the median of the 2018 annual total compensation of our employees, excluding our CEO, to be $117,132. The annual total compensation of our CEO was $13,982,960. The ratio of the annual total compensation of our CEO to the estimated median of the annual total compensation of our employees was 119 to 1.

The SEC rules permit us to identify our median employee once every three years. If, however, we determine it is not appropriate to use the median employee identified in one year (2017) in a subsequent year (2018) because of a change in circumstances that would result in a significant change in the pay ratio disclosure, then we are permitted to select another median employee whose compensation is substantially similar to the original median employee. We determined it would not be appropriate to use the median employee we identified for 2017 (the "2017 Median Employee") for the 2018 pay ratio disclosure because there was a significant change in that employee's pay from 2017 to 2018 attributable to a large decline in pension value. As a result, we identified a new median employee for 2018 (the "2018 Median Employee") by selecting another individual whose compensation was also at the median of our employee population.

To identify the 2018 Median Employee, we reviewed our employee population as of October 31, 2017, which was the date we used to identify the 2017 Median Employee. We used wages reported in Box 1 of IRS Form W-2 during the ten-month period ending on October 31, 2017, as a consistently applied compensation measure. We did not annualize the wages or make cost of living adjustments. Based on this methodology, we identified a group of employees whose compensation was at the median of the employee data. From this group, we selected another individual who we reasonably believed represented our median employee.

Once we identified the 2018 Median Employee, we calculated the annual total compensation using the rules applicable to the Summary Compensation Table. With respect to the annual total compensation of our CEO, we used the amount reported in the "Total" column for 2018 in the Summary Compensation Table.

The pay ratio rules provide companies with flexibility to select the methodology and assumptions used to identify the median

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employee, calculate the median employee's compensation and estimate the pay ratio. As a result, our methodology may differ from those used by other companies, which likely will make it very difficult to compare pay ratios with other companies, including those within our industry.

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# SHAREHOLDER PROPOSALS

Proposals 4 through 7 are proposals Duke Energy received from our shareholders. If the proponents of these proposals, or their representatives, present their respective proposal at our Annual Meeting and submit the proposal for a vote, then the proposal will be voted upon. The shareholder proposals and supporting statements are included exactly as submitted to us by the proponents. The Board recommends voting "AGAINST" these proposals.

## PROPOSAL 4: SHAREHOLDER PROPOSAL REGARDING POLITICAL CONTRIBUTIONS

State of New York, Office of The State Comptroller, 59 Maiden Lane 30th Floor, New York, NY 10038, submitted the following proposal on behalf of the New York State Common Retirement Fund, owner of 1,553,100 shares of Duke Energy stock:

**Resolved,** that the shareholders of **Duke Energy Corporation** ("Company") hereby request that the Company provide a public report, updated semiannually, disclosing the Company's:

1. Policies and procedures for making, with corporate funds or assets, contributions and expenditures (direct or indirect) to (a) participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, or (b) influence the general public, or any segment thereof, with respect to an election or referendum.

2. Monetary and non-monetary contributions and expenditures (direct and indirect) used in the manner described in section 1 above, including:

   a. The identity of the recipient as well as the amount paid to each; and

   b. The title(s) of the person(s) in the Company responsible for decision-making.

The report shall be presented to the board of directors or relevant board committee and posted on the Company's website within 12 months from the date of the annual meeting. This proposal does not encompass lobbying spending.

### Supporting Statement

As long-term shareholders of Duke Energy Corporation, we support transparency and accountability in corporate spending on political activities. These include any activities considered intervention in any political campaign under the Internal Revenue Code, such as direct and indirect contributions to political candidates, parties, or organizations; independent expenditures; or electioneering communications on behalf of federal, state or local candidates.

Disclosure is in the best interest of the company and its shareholders. Moreover, the Supreme Court's Citizens United decision recognized the importance of political spending disclosure for shareholders when it said, "[D]isclosure permits citizens and shareholders to react to the speech of corporate entities in a proper way. This transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages." Gaps in transparency and accountability may expose the company to reputational and business risks that could threaten long-term shareholder value.

Relying on publicly available data does not provide a complete picture of the Company's political spending. For example, the Company's payments to trade associations used for political activities are undisclosed and unknown. In some cases, even management does not know how trade associations use their company's money politically. The proposal asks the Company to disclose all of its political spending, including payments to trade associations and other tax exempt organizations used for political purposes. This would bring our Company in line with a growing number of leading companies that support political disclosure and accountability and present this information on their websites.

The Company's Board and its shareholders need comprehensive disclosure to be able to fully evaluate the political use of corporate assets. We urge your support for this critical governance reform.

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**PROPOSAL 4: SHAREHOLDER PROPOSAL REGARDING POLITICAL CONTRIBUTIONS**

## Opposing Statement of the Board of Directors:

**Your Board of Directors recommends a vote "AGAINST" this proposal for the following reasons:**

The Board believes that the report requested in the proposal is unnecessary because of the numerous disclosures regarding our political expenditures, policies, and procedures regarding our political activities that we currently provide.

Duke Energy is committed to adhering to the highest standards of ethics in all of our activities, including our political activities. As a public utility holding company, Duke Energy is highly regulated and significantly impacted by public policy decisions at the local, state, and federal levels. As such, the Board believes that Duke Energy's public policy engagement is essential to protect the interests of Duke Energy, our customers, employees, shareholders, and communities.

*Robust Board and Management Oversight.* There is significant oversight of our participation in political activities, which is conducted through our government relations program, in semi-annual reviews of our strategy, activities and disclosures by the Corporate Governance Committee of the Board, in accordance with the Corporate Governance Committee's Charter. We include information about our policy and procedures with regard to our political activities on the Political Expenditures page of our website which is located at *duke-energy.com/our-company/investors/corporate-governance/political-expenditures-policy*. We also disclose information regarding the ultimate oversight of our policies, practices, and strategy with respect to political expenditures by the Corporate Governance Committee on our website as well in the Charter of the Corporate Governance Committee at *duke-energy.com/our-company/investors/corporate-governance/board-committee-charters/corporate-governance*.

*Disclosure of Duke Energy Corporate Political Contributions.* In addition to providing disclosure regarding our policies and procedures in numerous places on our website, we also provide additional disclosure of our political contributions. These disclosures are publicly available and already linked to our Political Expenditures web page. Duke Energy's corporate political contributions are also subject to regulation by the state and federal governments. In addition to the disclosures we are required to provide by law, Duke Energy also prepares a semi-annual report, which is posted directly to our Political Expenditures web page which discloses all corporate contributions in excess of $1,000, the federal lobbying portion of trade association dues for trade associations with dues over $50,000 during the reporting period, and all DUKEPAC contributions, each in the aggregate. Disclosing this information in one report allows the information to be more easily accessed and viewed by our shareholders. All such semi-annual reports remain available on Duke Energy's website for historical comparison purposes.

We participate in industry trade organizations for many important reasons, including business, technical, and industry standard-setting expertise. We pay dues or make contributions to these organizations that are not necessarily related to their political efforts. Moreover, we may not support each of the initiatives of every association in which we participate or align in strategy with every position of every association, but we believe it is important to participate in the discussions these organization have on these topics so that important decisions that may affect our business, customers, and shareholders are made with our input. As a result, disclosure of all the trade associations in which Duke Energy participates is not likely to provide our shareholders with any meaningful benefit to their understanding of our political activities or strategies.

*Conclusion.* Accordingly, because we already provide robust disclosure concerning our policies and procedures regarding our political activities, as well as a semi-annual report disclosing our political contributions and the fact that such activities and procedures are subject to extensive Board and management oversight, the Board believes that the additional report requested in the proposal would result in an unnecessary and unproductive use of Duke Energy and our shareholders' resources.

**For the Above Reasons the Board of Directors Recommends a Vote "AGAINST" This Proposal.**

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# PROPOSAL 5: SHAREHOLDER PROPOSAL REGARDING PROVIDING AN ANNUAL REPORT ON DUKE ENERGY'S LOBBYING EXPENSES

Mercy Investment Services, Inc., 2039 North Geyer Road, St. Louis, MO, 63131, owner of 71 shares of Duke Energy stock, and The Sisters of St. Francis of Philadelphia, 609 South Convent Road, Aston, PA 19014, owner of 54 shares of Duke Energy stock, submitted the following proposal:

**Whereas**, we believe in full disclosure of our company's direct and indirect lobbying activities and expenditures to assess whether Duke Energy's lobbying is consistent with its expressed goals and in the best interests of shareholders.

**Resolved**, the shareholders of Duke Energy request the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by Duke Energy used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.
3. Duke Energy's membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of management's and the Board's decision making process and oversight for making payments described in sections 2 and 3 above.

For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. "Indirect lobbying" is lobbying engaged in by a trade association or other organization of which Duke Energy is a member.

Both "direct and indirect lobbying" and "grassroots lobbying communications" include efforts at the local, state and federal levels.

The report shall be presented to the Corporate Governance Committee and posted on Duke Energy's website.

## Supporting Statement

As shareholders, we encourage transparency and accountability in the use of corporate funds to influence legislation and regulation. Duke Energy spent $51,113,595 million from 2010-2017 on federal lobbying. These figures do not include lobbying expenditures to influence legislation in states, where Duke Energy also lobbies but disclosure is uneven or absent. For example, Duke Energy spent over $4.4 million on lobbying in North Carolina from 2010-2016, and its lobbying of Florida regulators has drawn media attention ("Report: With $43 million in Donations, Utilities Wield Influence over State Regulators," *Tampa Bay Times*, May 16, 2018).

Duke Energy is a member of the Business Roundtable and the Edison Electric Institute (EEI), which together spent over $60 million lobbying in 2016 and 2017. Unlike many of its peers, Duke Energy does not comprehensively disclose its memberships in, or payments to, trade associations, or the individual amounts used for lobbying on its website. And Duke Energy does not disclose membership in or contributions to tax-exempt organizations that write and endorse model legislation, such as its membership in the American Legislative Exchange Council (ALEC).

We are concerned that our company's lack of trade association and ALEC disclosure presents reputational risks. Duke Energy's EEI and ALEC memberships have attracted press scrutiny ("New Report: How Electric Utility Customers Are Forced to Fund the Edison Electric Institute and Other Political Organizations," *Republic Report*, May 9, 2017), and over 100 companies have publicly left ALEC, including Ameren, Entergy, Exxon, PG&E and Xcel Energy.

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**PROPOSAL 5: SHAREHOLDER PROPOSAL REGARDING PROVIDING AN ANNUAL REPORT ON DUKE ENERGY'S LOBBYING EXPENSES**

## Opposing Statement of the Board of Directors:

**Your Board of Directors recommends a vote "AGAINST" this proposal for the following reasons:**

Duke Energy is committed to adhering to the highest standards of ethics in engaging in any government relations activities. As a public utility holding company, Duke Energy is highly regulated and significantly impacted by public policy decisions at the local, state, and federal levels. As such, the Board believes that Duke Energy's public policy engagement is essential to protect the interests of Duke Energy, our customers, employees, shareholders, and communities. Participation in public policy dialogues includes contributing to organizations that advocate positions that support the interests of Duke Energy, our customers, employees, shareholders, and communities. These organizations include industry trade associations such as the Edison Electric Institute which is mentioned in the proposal. Industry associations also serve important non-political purposes, helping address business, technical, and standard-setting issues. Though we may not support each of the lobbying goals of every association in which we participate, we believe it is important to participate in these organizations' public policy discussions so that important decisions that may affect our business, customers, and shareholders are not made without our position being heard.

*Disclosure of Duke Energy Policy and Procedures Over Lobbying.* The proposal requests that we disclose our policy and procedures with regard to lobbying. Duke Energy has developed a robust governance program around our public policy engagement. The day-to-day oversight of our policies, practices, and strategy with respect to public policy advocacy is the responsibility of the jurisdictional presidents at each applicable state level and our Senior Vice President, Federal Government Affairs and Strategic Policy.

*Disclosure of Corporate Lobbying Expenditures.* The proposal also seeks disclosures about Duke Energy's lobbying expenditures. Our lobbying activities are subject to regulation by the state and federal governments, including requirements to provide disclosures of state and federal lobbying expenses. These disclosures are publicly available and linked to our website at *duke-energy.com/our-company/investors/corporate-governance/political-expenditures-policy*. Duke Energy is fully compliant with all state and federal laws governing corporate lobbying activities. In addition to the disclosures we are required to provide by law, Duke Energy also voluntarily discloses additional information in a semi-annual report which is posted directly to the site disclosed above. In addition to disclosing certain information regarding Duke Energy's corporate political contributions, the semi-annual report includes an aggregate amount for the federal lobbying portion of trade association dues for trade associations with dues over $50,000 during the reporting period. Disclosing this information in one report allows the information to be more easily accessed and viewed by our shareholders. All semi-annual reports remain available on Duke Energy's website for historical comparison purposes.

*Conclusion.* Accordingly, because we have provided disclosure concerning our policies and procedures governing lobbying, a semi-annual political activity report that includes information regarding our lobbying activities, and a description of the Board oversight of such activities and procedures, the Board believes that the additional report requested in the proposal would result in an unnecessary and unproductive use of Duke Energy and our shareholders' resources.

**For the Above Reasons the Board of Directors Recommends a Vote "AGAINST" This Proposal.**

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## PROPOSAL 6: SHAREHOLDER PROPOSAL REGARDING A REPORT ON MITIGATING HEALTH AND CLIMATE IMPACTS OF COAL USE

As You Sow, 1611 Telegraph Avenue Suite 1450, Oakland, CA 94612, on behalf of Andrew Behar, owner of 50 shares of Duke Energy stock, and Daughters of Charity, Province of St. Louise, 2039 North Geyer Road, St. Louis, MO 63131, owners of 40 shares of Duke Energy stock, submitted the following proposal:

**WHEREAS**: The use of coal produces well-established harms to public health including water contamination, climate change, and poor air quality. Coal burning releases carbon dioxide, which is the primary greenhouse gas driving climate change. Climate change results in many health harms and challenges from extreme temperatures to declining air and water quality. In addition to health impacts, climate change intensifies extreme storms and flooding, threatening the reliability and safety of coal ash infrastructure and increasing the risk of water contamination.

Climate impacts are exacerbating health risks, necessitating robust mitigation planning from Duke to reduce and avoid such impacts.

*Toxic contamination.* Coal burning results in coal waste also called coal ash which is laced with heavy metals such as arsenic, and which can contaminate water and raise cancer risk with long term exposure. Duke Energy has had three high profile coal ash spills since 2014 at its Sutton, Dan River, and H.F. Lee coal plants, incurring brand damage, causing spills and leaks associated with health harms, and millions of dollars in clean-up costs. This year's Hurricane Florence highlighted Duke's lack of preparation for storms and flooding, the frequency and intensity of which are increasing due to climate change. Duke's failure to prevent breaches at two of its coal ash waste ponds as a result of Florence's impact has been criticized, while peers have demonstrated that available best practices could have prevented such spills.

*Harm to vulnerable communities.* The impacts of Duke's coal ash management are felt disproportionately by low-income communities. After Hurricane Florence, Duke indefinitely closed Lake Sutton to the public a lake that locals rely on for subsistence fishing.

*Declining air quality.* Burning coal results in sulfur dioxide, nitrous oxide, mercury, and particulate matter. These pollutants can cause serious health problems such as respiratory illness, including asthma and lung diseases, heart attacks, reduced life expectancy, and increased infant mortality. These harms often become particularly acute as climate change dramatically increases local temperatures.

Despite all this, Duke has yet to adequately address the risks of its continued use of coal, especially with regard to the growing impacts it is causing on local communities.

**RESOLVED**: Shareholders request that Duke Energy publish a report assessing how it will mitigate the public health risks associated with Duke's coal operations in light of increasing vulnerability to climate change impacts such as flooding and severe storms. The report should provide a financial analysis of the cost to the Company of coal-related public health harms, including potential liability and reputational damage. It should be published at reasonable expense and omit proprietary information.

## SUPPORTING STATEMENT:

Investors request the company consider:

How Duke Energy's coal burning exacerbates public health harms;

How Duke's coal operations, including its coal ash disposal, impacts the public health of low income communities and communities of color.

## Opposing Statement of the Board of Directors:

**Your Board of Directors recommends a vote "AGAINST" this proposal for the following reasons:**

*Utility regulations are designed to protect public health and the environment.* Duke Energy provides clean, reliable, and affordable energy to our customers in a manner that complies with the full suite of health and safety regulations that are established by state and federal regulators who have the appropriate expertise and mandate to analyze these issues. The proposal requests that we publish a report detailing our plans to mitigate health risks associated with coal generation. State environmental agencies and the United States EPA are charged with setting and enforcing regulations to protect the environment, public health and safety, including regulations on air emissions, water discharges, and the disposal of coal ash.

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**PROPOSAL 6: SHAREHOLDER PROPOSAL REGARDING A REPORT ON MITIGATING HEALTH AND CLIMATE IMPACTS OF COAL USE**

Importantly, the EPA has extensively studied coal ash and air emissions from coal-based generation for decades, conducting detailed scientific investigations of risks. These studies underpin the air, water, and waste regulations that establish emissions controls and disposal requirements to protect public health and the environment.

*Fleet modernization and reduction in use of coal has led to significant emissions reductions.* We are committed to a cleaner, smarter energy future in continuing to meet the needs of customers, and our track record demonstrates that. We have worked for many years to modernize and diversify our system, de-carbonizing our fleet in a way that balances our responsibility to provide safe, reliable, and affordable energy for our customers. We have established carbon reduction goals and, through 2017, have reduced our carbon emissions by 31% from 2005 levels. In 2017, we set an even more aggressive goal to reduce our carbon emissions by 40% from 2005 levels by 2030.

These reductions have primarily been achieved through the modernization of our generating fleet, including the retirement of our coal generating plants. Since 2011, we have significantly reduced coal use, retired almost 6,200 megawatts of coal-based generation, and have announced plans to retire an additional 1,200 megawatts of coal-based generation. Our growing portfolio of renewable energy resources includes wind and solar projects totaling approximately 3,300 megawatts of capacity, with over 1,000 megawatts of wind and solar projects projected to be in service in the next two years. Through 2027, we plan to make investments in highly efficient natural gas generation and renewable energy sources and to modernize the power grid to accommodate even more renewables and make our system more resilient to severe weather. At our remaining operating coal generating stations, we have already invested $7.5 billion in environmental controls. As a result, in addition to the significant reduction in carbon emissions, as of the end of 2017, we had reduced sulfur dioxide emissions by 96% and nitrogen oxide emissions by 74% since 2005. Thus, contrary to the proposal's claim of declining air quality, emissions have been significantly declining due to our efforts. Further, as noted above, our coal-fired generation plants are in compliance with EPA and state air quality standards that are set at levels to protect public health.

*Duke Energy already provides extensive information regarding mitigation of climate change risk.* We provide detailed information in our annual Sustainability Report, CDP questionnaire responses, and in the environmental, social and governance disclosures we provide to investors through the Edison Electric Institute. In addition, in 2018 we released a comprehensive Climate Report to shareholders which discloses information on our efforts to reduce emissions, mitigate climate impacts, and plan for a carbon-constrained future, including analysis of a scenario under which we would reduce emissions consistent with a target intended to limit overall global average temperature increase to two-degree Celsius.

*Duke Energy has made plans to and significant progress toward closing all of our ash basins.* The proposal makes many inaccurate assertions regarding our ash management, and particularly regarding our ash management during Hurricane Florence. At Duke Energy, the safety of our employees, customers, and communities is our highest priority. After the Dan River ash release in 2014, we accepted responsibility for the release and took the opportunity to lead the industry in the closure of ash basins, a nationwide challenge. In accordance with state and federal laws, we are using comprehensive science and engineering studies to guide the safe closure of our ash basins and to recycle coal ash in ways that protect the environment and communities. We have already excavated over 22 million tons of ash across our jurisdictions and moved it to fully lined disposal facilities.

The proposal states that there have been three high-profile coal ash spills since 2014 and implies that two spills, at our Sutton and H.F. Lee plants, were the result of Duke Energy's lack of preparation for hurricanes. In fact, the opposite is true. Duke Energy's dam improvement projects for ash basins and our ongoing closure work helped our facilities perform well during Hurricane Florence and the flooding that followed. Significantly, there have been no ash basin dam failures during or following the storm. We took numerous planning and engineering actions before the hurricane to prepare our sites and minimize potential storm impacts. Our ash management practices helped facilitate the ash basin dams' safe performance during the hurricanes. Due to our aggressive excavation and closure work, ash basins that were most affected by the storm were able to accommodate significant volumes of water from precipitation and flooding from nearby rivers. Most importantly, both our water sampling and the independent water sampling by our state regulator demonstrate that water quality in the nearby rivers and in Sutton Lake remained well within stringent state water quality standards after Hurricane Florence. We have included extensive disclosures on our plans and progress in closing our ash basins in our annual Sustainability Report and on the ash management section of our website located at d*uke-energy.com/our-company/about-us/power-plants/ash-management.*

*Conclusion.* In summary, Duke Energy is fully committed to operating in accordance with the robust regulations enacted by the multiple governmental agencies whose specific mission, expertise and domain is to determine and publish those regulations necessary to maintain public safety. Moreover, we have initiated significant efforts relating to emissions reductions and ash management in our operations and we provide extensive disclosures on such measures. Developing a separate report as requested in the proposal would be an inefficient use of shareholder resources.

**For the Above Reasons the Board of Directors Recommends a Vote "AGAINST" This Proposal.**

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# PROPOSAL 7: SHAREHOLDER PROPOSAL REGARDING A REPORT ON THE COSTS AND BENEFITS OF DUKE ENERGY'S VOLUNTARY ENVIRONMENT-RELATED ACTIVITIES

Steven J. Milloy, 12309 Briarbush Lane, Potomac, MD, 20854, owner of 33 shares of Duke Energy stock, submitted the following proposal:

**Greenwashing Audit**

**Resolved:**

Shareholders request that, beginning in 2019, Duke Energy annually publish a report of actually incurred company costs and associated actual/significant benefits accruing to shareholders, public health and the environment from Duke's environment-related activities that are voluntary and exceed federal/state regulatory requirements. The report should be prepared at reasonable cost and omit proprietary information.

## Supporting Statement:

Duke's purpose is to generate profits from generating affordable and reliable electricity for ratepayers while obeying applicable laws and regulations. Maintaining coal plants is the least expensive option for generating power per the U.S. Department of Energy's National Coal Council 2018 report, "Power Reset" *(*www.BurnMoreCoal.com/wp-content/uploads/2018/10/NCC-Power-Reset-2018.pdf). Yet Duke's management intends to shutter its coal plants in hopes of somehow altering global climate change.

This resolution is intended to help shareholders monitor whether Duke's voluntary activities and expenditures touted as protecting the public health and environment are actually producing meaningful benefits to shareholders, public health and the environment.

Corporate managements sometimes engage in "greenwashing" i.e., spending shareholder money on schemes ostensibly environment-related, but really undertaken merely for the purpose of improving the public image of management. Such insincere "green" posturing and associated touting of alleged, but actually imaginary benefits to public health and the environment may harm shareholders by distracting management, wasting corporate assets, ripping off ratepayers and deceiving shareholders and the public.

For example, Duke states in its 2017 Climate Report to Shareholders: "We have reduced carbon dioxide emissions by 31% since 2005, and we have set our sights on greater progress." No law or regulation required this reduction. Shareholders should have an honest accounting of this action's cost and the action's actual and current (vs. hypothetical or imagined) benefits. After all, Duke's reduction in CO2 emissions is not an obvious benefit to anyone or anything.

Duke says its "goal" is to reduce CO2 emissions 40% from 2005 levels by 2030. No law or regulation requires this action. What will be the actual benefit to anyone or anything of it? Global CO2 emissions are higher now than ever and increasing. China is reportedly now adding coal plant capacity equal to the entire US coal fleet. Around the world, there are reportedly 1,100 coal plants under construction. In comparison, Duke operates a mere 14 coal plants. So what are the actual benefits to ratepayers, shareholders and the environment of meeting Duke's goal? By how much, in what way, and when will any of these activities reduce or alter climate change, for example?

The information requested by this proposal is not already contained in any Duke report, including the aforementioned climate report, which contains none of the cost-benefit detail requested hereby. Duke's climate report is so vague and vapid, it may itself be reasonably suspected as greenwashing.

Duke should report to shareholders what are the specific actual benefits produced by its voluntary, highly touted and costly environmental activities. Are the touted benefits real and worthwhile? Or are they just greenwashing? Shareholders want to know.

## Opposing Statement of the Board of Directors:

**Your Board of Directors recommends a vote "AGAINST" this proposal for the following reasons:**

The Proposal requests that Duke Energy publish a report of costs and benefits to shareholders, public health, and the environment as a result of our voluntary, environment-friendly activities. The Board believes that undertaking a specific, separate report to fulfill this request would be a significant waste of corporate resources because we already extensively discuss the costs and benefits of our investment strategy and

environmental activities in numerous disclosures, which we regularly publish on our website or file with our regulators, including the annual Sustainability Report, the 2017 Climate Report, and the IRPs filed with the state utilities commissions.

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**PROPOSAL 7: SHAREHOLDER PROPOSAL REGARDING A REPORT ON THE COSTS AND BENEFITS OF DUKE ENERGY'S VOLUNTARY ENVIRONMENT-RELATED ACTIVITIES**

*Duke Energy has numerous existing disclosures that address the costs and benefits of our investment strategy and environmental activities.* The 2017 Sustainability Report details much of Duke Energy's efforts to reduce greenhouse gases as well as other initiatives we undertake to reduce our environmental footprint and the benefits we expect Duke Energy, our shareholders, and customers receive from these efforts. The Sustainability Report details our planned investments over the next ten years to create a smarter energy grid to improve system performance, make our system more resilient, and accommodate additional renewable energy. The Sustainability Report also details our plans to invest in cleaner natural gas-fired power plants, as well as solar energy and other renewable generation sources to meet the future power needs of our customers.

In 2018, Duke Energy also released a special Climate Report which discusses our efforts related to the climate change issue. The generation investment decisions we have taken to meet customers' power needs, which have resulted in reductions in greenhouse gas emissions, are discussed throughout the 2017 Climate Report. The Climate Report also explains that we must balance customer affordability and reliability along with cleaner energy in order to meet the demands of our customers, shareholders, and communities.

In addition to the disclosures in Duke Energy's annual Sustainability Report and 2017 Climate Report, the IRPs filed by Duke Energy's regulated utility subsidiaries also provide a long-range quantitative analysis of the costs and benefits to customers of the planned Duke Energy generation, transmission and distribution system. For example, Duke Energy Carolinas, LLC's North Carolina September 2018 IRP includes the detailed results of economic analyses and emissions projections for a number of portfolios of generation options. The IRP discusses that one of the many reasons for a diverse generation portfolio is the increasing demands by customers for more choices and services to control their energy use.

*A number of the Proponent's underlying assumptions regarding the need for such a report are flawed.* The Proponent states that "Maintaining coal plants is the least expensive option for generating power. . ." and cites the U.S. Department of Energy's National Coal Council 2018 report, "Power Reset" for that analysis. This report utilized a national average of the cost of existing coal generation compared to other options (natural gas, nuclear, and renewables). Duke Energy, however, cannot use a national average figure in making our determination of which technology to use to generate electricity in a particular geographic area. We must utilize actual costs of actual power plants rather than a national average. In order to ensure our customers are receiving the most cost-effective electricity options in each of our regions, we undertake complex analyses utilizing a range of cost projections for generating options and fuel prices, and also consider existing and future potential state and federal environmental regulations. These analyses are discussed in our IRPs and then reviewed and approved by our regulators to ensure that all customers are being provided the most cost-efficient, reliable service possible. These detailed, highly technical plans are based on thorough analyses of numerous factors that can impact the cost of producing and delivering electricity and influence long-term resource planning decisions. The IRP process helps to evaluate a range of options, considering forecasts of future electricity demand; fuel prices; transmission improvements; new generating capacity; renewable energy mandates; integration of renewables, energy storage, energy efficiency; and, demand response initiatives. The IRP process also helps evaluate potential environmental and regulatory scenarios to better mitigate policy and economic risks to Duke Energy. The data which we disclose in our IRPs show that the decreasing cost of natural gas and renewable generation, combined with the cost of compliance with environmental regulations, make these sources more cost-efficient replacements for our coal generating facilities as they age and are retired. As a result, our regulators have approved our decisions to add these generation sources to our portfolio as a cost-effective way to meet our customers' electricity needs, and have approved their cost recovery.

Furthermore, the Proponent states that "No law or regulation required" our 31% reduction in carbon dioxide emissions since 2005, yet ignores the fact that a myriad of state and federal environmental laws and regulations have been put in place since 2005. These regulations required significant reductions in emissions and hazardous air pollutants, which have had the corollary effect of reducing greenhouse gas emissions. This includes the North Carolina Clean Smokestacks Act, the Cross-State Air Pollution Rule, and the Mercury and Air Toxics Standards. In addition to those laws and regulations, our state regulators mandate that we provide the most cost-effective generation to our customers. Carbon dioxide emission reductions have occurred because lower-emitting natural gas and zero-emitting renewables are proving to be cost-effective options.

*Conclusion.* In summary, the Board does not believe it is in the best interests of shareholders for Duke Energy to prepare a report on our voluntary environment-friendly actions as we already disclose the actions, as well as the expected costs and benefits associated with these actions, in numerous public disclosures. Developing a separate report as requested in the proposal would be an unnecessary, redundant and inefficient use of shareholder resources.

**For the Above Reasons the Board of Directors Recommends a Vote "AGAINST" This Proposal.**

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# FREQUENTLY ASKED QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

## How can I participate in the Annual Meeting?

Duke Energy's 2019 Annual Meeting will once again be held exclusively via live webcast. Shareholders of record as of the close of business on March 4, 2019, are entitled to participate in, vote at, and submit questions in writing during the Annual Meeting by visiting *duke-energy.onlineshareholdermeeting.com*. To participate in the Annual Meeting via live webcast, you will need the 16-digit control number which can be found on your Notice, on your proxy card, and on the instructions that accompany your proxy materials. The Annual Meeting will begin promptly at 12:30 p.m. Eastern time on May 2, 2019. Online check-in will begin at 12:00 p.m. Eastern time. Please allow ample time for the online check-in process. An audio broadcast of the Annual Meeting will be available by phone toll-free at 1.888.254.3590, confirmation code 1907885.

## What is the pre-meeting forum and how can I access it?

One of the benefits of holding the Annual Meeting via live webcast is that it allows us to communicate more effectively with you via a pre-meeting forum that you can enter by visiting *proxyvote.com*. On our pre-meeting forum, you can submit questions in writing in advance of the Annual Meeting, and also access copies of our proxy materials. Through the pre-meeting forum, we can respond to more questions than we were able to respond to at previous meetings.

## What if I have difficulties accessing the pre-meeting forum or locating my 16-digit control number prior to the day of the Annual Meeting on May 2, 2019?

Prior to the day of the Annual Meeting on May 2, 2019, if you need assistance with your 16-digit control number and you hold your shares in your own name, please call toll-free 1.866.232.3037 in the United States or 1.720.358.3640 if calling from outside the United States. If you hold your shares in the name of a bank or brokerage firm, you will need to contact your bank or brokerage firm for assistance with your 16-digit control number.

## What if during the check-in time or during the Annual Meeting I have technical difficulties or trouble accessing the live webcast of the Annual Meeting?

If you encounter any difficulties accessing the live webcast of the Annual Meeting during the online check-in process or during the Annual Meeting itself, including any difficulties with your 16-digit control number, please call toll-free 1.855.449.0991 in the United States or 1.720.378.5962 if calling from outside the United States, for assistance. Technicians will be ready to assist you beginning at 12:00 p.m. Eastern time with any difficulties.

## On what am I voting?

| | | More information |
|---|---|---|
| **PROPOSAL 1** | Election of directors | Page 8 |
| **PROPOSAL 2** | Ratification of Deloitte & Touche LLP as Duke Energy's independent registered public accounting firm for 2019 | Page 33 |
| **PROPOSAL 3** | Advisory vote to approve Duke Energy's named executive officer compensation | Page 35 |
| **PROPOSALS 4-7** | Shareholder proposals | Page 67 |

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**FREQUENTLY ASKED QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING**

## Who can vote?

Holders of Duke Energy's common stock as of the close of business on the record date, March 4, 2019. Each share of Duke Energy common stock has one vote.

## How do I vote?

*By Proxy* *Before the Annual Meeting, you can give a proxy to vote your shares of Duke Energy common stock in one of the following ways:*

| **By internet** | **By phone** | **By mailing your proxy card** |
|---|---|---|
| **Visit 24/7**<br>*proxyvote.com* | Call toll-free 24/7 1.800.690.6903<br>or by calling the number provided<br>by your broker, bank, or other<br>nominee if your shares are not<br>registered in your name | Cast your vote,<br>sign your proxy card,<br>and send free of postage |

The phone and online voting procedures are designed to confirm your identity, to allow you to give your voting instructions, and to verify that your instructions have been properly recorded. If you wish to vote by phone or online, please follow the instructions that are included on your notice.

If you mail us your properly completed and signed proxy card or vote by phone or online, your shares of Duke Energy common stock will be voted according to the choices that you specify. If you sign and mail your proxy card without marking any choices, your proxy will be voted:

"FOR" the election of all nominees for director;

"FOR" the ratification of Deloitte & Touche LLP as Duke Energy's independent registered public accounting firm for 2019;

"FOR" the advisory vote to approve Duke Energy's named executive officer compensation; and

"AGAINST" the shareholder proposals.

We do not expect that any other matters will be brought before the Annual Meeting. However, by giving your proxy, you appoint the persons named as proxies as your representatives at the Annual Meeting.

You may cast your vote online up until 11:59 p.m. Eastern time on May 1, 2019, at *proxyvote.com*.

*Remotely* *You may participate in the Annual Meeting via live webcast and cast your vote online during the Annual Meeting prior to the closing of the polls by visiting duke-energy.onlineshareholdermeeting.com.*

## May I change or revoke my vote?

Yes. You may change your vote or revoke your proxy at any time prior to the Annual Meeting by:

- notifying Duke Energy's Corporate Secretary in writing that you are revoking your proxy;
- providing another signed proxy that is dated after the proxy you wish to revoke;
- using the phone or online voting procedures; or
- participating in the Annual Meeting via live webcast and voting online during the Annual Meeting prior to the closing of the polls.

### Will my shares be voted if I do not provide my proxy?

It depends on whether you hold your shares in your own name or in the name of a bank or brokerage firm. If you hold your shares directly in your own name, they will not be voted unless you provide a proxy or vote online during the Annual Meeting prior to the closing of the polls.

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Brokerage firms generally have the authority to vote their customers' unvoted shares on certain "routine" matters. If your shares are held in the name of a broker, bank, or other nominee, such nominee can vote your shares for the ratification of Deloitte as Duke Energy's independent registered public accounting firm for 2019 if you do not timely provide your proxy because this matter is considered "routine" under the applicable rules. However, no other items are considered "routine" and may not be voted by your broker without your instruction.

## If I am a participant in the Retirement Savings Plan, how do I vote shares held in my plan account?

If you are a participant in the Retirement Savings Plan, you have the right to provide voting directions to the plan trustee, Fidelity Management Trust Company, by submitting your proxy card for those shares of Duke Energy common stock that are held by the plan and allocated to your account. Plan participant proxies are treated confidentially.

If you elect not to provide voting directions to the plan trustee, the plan trustee will vote the Duke Energy shares allocated to your plan account in the same proportion as those shares held by the plan for which the plan trustee has received voting directions from other plan participants. The plan trustee will follow participants' voting directions and the plan procedure for voting in the absence of voting directions, unless it determines that to do so would be contrary to the Employee Retirement Income Security Act of 1974.

Because the plan trustee must process voting instructions from participants before the date of the Annual Meeting, you must deliver your instructions no later than April 29, 2019, at 11:59 p.m. Eastern time.

## What constitutes a quorum?

As of the record date on March 4, 2019, 727,645,547 shares of Duke Energy common stock were issued and outstanding and entitled to vote at the Annual Meeting. In order to conduct the Annual Meeting, a majority of the shares entitled to vote must participate remotely via live webcast or by proxy. This is referred to as a "quorum." If you submit a properly executed proxy card or vote by phone or online, you will be considered part of the quorum. Abstentions and broker "non-votes" will be counted as present and entitled to vote for purposes of determining a quorum. A broker "non-vote" is not, however, counted as present and entitled to vote for purposes of voting on individual proposals other than ratification of Deloitte as Duke Energy's independent registered public accounting firm. A broker "non-vote" occurs when a bank, broker, or other nominee who holds shares for another person has not received voting instructions from the owner of the shares and, under NYSE listing standards, does not have discretionary authority to vote on a matter.

## Who conducts the proxy solicitation and how much will it cost?

Duke Energy is requesting your proxy for the Annual Meeting and will pay all the costs of requesting shareholder proxies. We have hired Georgeson Inc. to help us send out the proxy materials and request proxies. The estimated fees for Georgeson's services is approximately $20,000, plus out-of-pocket expenses, although the amount could be higher depending on the level of services provided by Georgeson. We can request proxies through the mail or personally by phone, fax, or online. We can use directors, officers, and other employees of Duke Energy to request proxies. Directors, officers and other employees will not receive additional compensation for these services. We will reimburse brokerage houses and other custodians, nominees, and fiduciaries for their reasonable out-of-pocket expenses for forwarding solicitation material to the beneficial owners of Duke Energy common stock.

## Where can I view the replay of the Annual Meeting webcast and the answers to questions submitted by shareholders in advance of or during the Annual Meeting?

A replay of the Annual Meeting webcast, as well as our answers to questions submitted by shareholders before and during the Annual Meeting, will be available for one year at *duke-energy.com/our-company/investors/financial-news* under "05/02/2019 Annual Meeting of Shareholders."

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# OTHER INFORMATION

## Discretionary Voting Authority

As of the date this proxy statement was printed, Duke Energy did not anticipate that any matter other than the proposals set out in this proxy statement would be raised at the Annual Meeting. If any other matters are properly presented at the Annual Meeting, the persons named as proxies will have discretion to vote on those matters according to their best judgment.

## Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires Duke Energy's directors and executive officers, and any persons owning more than 10% of Duke Energy's equity securities, to file with the SEC initial reports of beneficial ownership and certain changes in that beneficial ownership with respect to such equity securities of Duke Energy. We prepare and file these reports on behalf of our directors and executive officers. In 2018, a Form 4 reporting the sale of shares was inadvertently filed on August 17, 2018, one day late, for Dhiaa M. Jamil, Executive Vice President and Chief Operating Officer, due to an administrative error. A Form 4 was also filed late for our director, John T. Herron, for reporting the gift of 200 shares to each of his three sons in May 2018. To our knowledge, all other Section 16(a) reporting requirements applicable to our directors and executive officers were satisfied in a timely manner.

## Related Person Transactions

*Related Person Transaction Policy.* The Corporate Governance Committee adopted a Related Person Transaction Policy that sets forth Duke Energy's procedures for the identification, review, consideration, and approval or ratification of "related person transactions." For purposes of our policy only, a "related person transaction" is a transaction, arrangement, or relationship (or any series of similar transactions, arrangements or relationships) in which we and any "related person" are, were, or will be participants and in which the amount involved exceeds $120,000. Transactions involving compensation for services provided to us as an employee or director are not covered by this policy. A "related person" is any executive officer, director or beneficial owner of more than 5% of any class of our voting securities, including any of their immediate family members and any entity owned or controlled by such persons.

Under the policy, if a transaction has been identified as a possible related person transaction (including any transaction that was not a related person transaction when originally consummated or any transaction that was not initially identified as a related person transaction prior to consummation), our management must present information regarding the related person transaction to our Corporate Governance Committee (or, if Corporate Governance Committee approval would be inappropriate, to the Board) for review, consideration, and approval or ratification. The presentation must include a description of, among other things, the material facts, the interests, direct and indirect, of the related persons, the benefits to us of the transaction, and whether the transaction is on terms that are comparable to the terms available to or from, as the case may be, an unrelated third party or to or from employees generally. Under the policy, we will, on an annual basis, collect information from each director, executive officer, and (to the extent feasible) significant shareholders to enable us to identify any existing or potential related person transactions and to effectuate the terms of the policy. In addition, under our codes of business conduct and ethics, our employees and directors have an affirmative responsibility to disclose any transaction or relationship that reasonably could be expected to give rise to a conflict of interest. In considering related person transactions, our Corporate Governance Committee (or Board) will consider the relevant available facts and circumstances including but not limited to:

- the risks, costs, and benefits to us;
- the impact on a director's independence if the related person is a director, immediate family member of a director or an entity with which a director is affiliated;
- the availability of other sources for comparable services or products; and
- the terms available to or from, as the case may be, unrelated third parties or to or from employees generally.

The policy requires that, in determining whether to approve, ratify or reject a related person transaction, our Corporate Governance Committee (or Board) must consider, in light of known circumstances, whether the transaction is in, or is not inconsistent with, our best interests and those of our shareholders, as our Corporate Governance Committee (or Board) determines in the good faith exercise of its judgment.

For Ms. Clayton, the Board considered a relationship between Duke Energy and Schneider Electric, at which she is employed as an executive officer, for various transactions between Duke Energy and Schneider Electric for the purchase of goods and services by Duke Energy in 2018 which are not material to either Duke Energy or Schneider Electric. The Board determined that Ms. Clayton had no direct or indirect material interest in the transactions between Duke Energy and Schneider Electric, that such transactions were in the best interests of the shareholders of Duke Energy, and they have

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been entered into in the ordinary course of business on terms that are negotiated on an arm's length basis. The Board reviewed and approved the transactions and the relationship with Schneider Electric was not deemed by the Board to impair Ms. Clayton's independence. In addition, with respect to Ms. Rose, the Board considered a relationship between Duke Energy and Cummins, at which Ms. Rose serves as an executive officer. The Board determined that Ms. Rose had no direct or indirect material interest in the transactions for the purchase of electrical equipment and other Cummins products by Duke Energy in 2018, that such transactions were in the best interests of shareholders, and they were entered into in the ordinary course of business on terms that were negotiated on an arm's length basis.

## Proposals and Business by Shareholders

If you wish to submit a proposal for inclusion in the proxy statement for Duke Energy's 2020 Annual Meeting, we must receive it no later than November 19, 2019.

In addition, if you wish to introduce business at our 2020 Annual Meeting (besides that in the Notice), you must send us written notice of the matter. Your written notice must comply with the requirements of Duke Energy's By-Laws, and we must receive it no earlier than January 2, 2020, and no later than February 1, 2020. The individuals named as proxy holders for our 2020 Annual Meeting will have discretionary authority to vote proxies on matters of which we are not properly notified and also may have discretionary voting authority under other circumstances.

Your proposal or written notice should be mailed to our Corporate Secretary at our principal executive office at the following address: David B. Fountain, Senior Vice President, Legal, Chief Ethics and Compliance Officer and Corporate Secretary, Duke Energy Corporation, DEC 48H, P.O. Box 1414, Charlotte, NC 28201-1414.

## Householding Information

Duke Energy has adopted a procedure called "householding," which has been approved by the SEC. Under this procedure, a single copy of the annual report and proxy statement is sent to any household at which two or more shareholders reside, unless one of the shareholders at that address notifies us that they wish to receive individual copies. Each shareholder will continue to receive separate proxy cards, and householding will not affect dividend check mailings or InvestorDirect Choice Plan statement mailings in any way.

If you have previously consented, householding will continue until you are notified otherwise or until you notify Broadridge Investor Communication Solutions, Inc. by mail at Householding Department, 51 Mercedes Way, Edgewood, NY 11717 or by phone at 1.866.540.7095, that you wish to receive separate annual reports and proxy statements. You will be removed from the householding program within 30 days of receipt of your notice. If you received a householded mailing this year and you would like to have additional copies of our annual report and proxy statement mailed to you, please submit your request to Broadridge Investor Communication Solutions, Inc. at the number or address listed above. They will promptly send additional copies of the annual report and proxy statement upon receipt of such request.

Many brokerage firms have instituted householding. If you hold your shares in "street name," please contact your bank, broker, or other holder of record to request information about householding.

## Electronic Delivery of the Annual Report and Proxy Materials

If you received a paper version of this year's proxy materials, please consider signing up for electronic delivery of next year's proxy materials. Electronic delivery significantly reduces Duke Energy's printing and postage costs and also reduces our consumption of natural resources. You will be notified immediately by email when next year's annual report and proxy materials are available. Electronic delivery also makes it more convenient for shareholders to cast their votes on issues that affect Duke Energy.

In order to enroll for electronic delivery, go to *icsdelivery.com/duk* and follow the instructions. If you elect to receive your Duke Energy proxy materials electronically, you can still request paper copies by contacting Investor Relations by phone toll-free at 1.800.488.3853 or at *duke-energy.com/investors/contactIR.*

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# GLOSSARY OF TERMS

| | |
|---|---|
| **Annual Meeting** | Annual Meeting of Shareholders |
| **Board** | Board of Directors |
| **CEO** | Chief Executive Officer |
| **CFO** | Chief Financial Officer |
| **Cinergy Plan** | Cinergy Corp. Non-Union Employees' Pension Plan |
| **Deloitte** | Deloitte & Touche LLP |
| **Directors' Savings Plan** | Duke Energy Corporation Directors' Savings Plan |
| **Duke Energy or the Corporation** | Duke Energy Corporation |
| **ECBP** | Duke Energy Executive Cash Balance Plan |
| **EPA** | Environmental Protection Agency |
| **EPS** | Earnings Per Share |
| **Exchange Act** | Securities Exchange Act of 1934, as amended |
| **Executive Savings Plan** | Duke Energy Corporation Executive Savings Plan |
| **FAP** | Final Average Monthly Pay |
| **Form 10-K** | Annual Report on Form 10-K for the year ended December 31, 2018 |
| **GAAP** | Generally Accepted Accounting Principles in the United States |
| **Internal Revenue Code** | Internal Revenue Code of 1986 |
| **INPO** | Institute of Nuclear Power Operations |
| **IRPs** | Integrated Resource Plan |
| **LAI** | Life Altering Injuries |
| **LTI** | Long-Term Incentive |
| **MDCP** | Progress Energy, Inc. Management Deferred Compensation Plan |

| | |
|---|---|
| **MICP** | Progress Energy, Inc. Management Incentive Compensation Plan |
| **NEO** | Named Executive Officer |
| **Notice** | Notice Regarding the Availability of Proxy Materials |
| **O&M** | Operations and Maintenance |
| **OSHA** | Occupational Safety and Health Administration |
| **Piedmont** | Piedmont Natural Gas Company, Inc. |
| **PSSP** | Progress Energy, Inc. Performance Share Sub-Plan |
| **Progress Energy Supplemental Plan** | Supplemental Senior Executive Retirement Plan of Progress Energy, Inc. |
| **Progress Plan** | Progress Energy Pension Plan |
| **RCBP** | Duke Energy Retirement Cash Balance Plan |
| **Retirement Savings Plan** | Duke Energy Retirement Savings Plan |
| **ROE** | Return on Equity |
| **RSU** | Restricted Stock Unit |
| **SEC** | Securities and Exchange Commission |
| **Securities Act** | Securities Act of 1933, as amended |
| **STI** | Short-Term Incentive |
| **TCFD** | Taskforce on Climate-related Financial Disclosures |
| **TDC** | Total Direct Compensation |
| **TICR** | Total Incident Case Rate |
| **TSR** | Total Shareholder Return |
| **Traditional Program** | Cinergy Plan's Traditional Program |
| **UTY** | Philadelphia Utility Index |

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# APPENDIX A

## Cautionary Note Regarding Forward-Looking Information

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements are based on management's beliefs and assumptions and can often be identified by terms and phrases that include "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," "target," "guidance," "outlook," or other similar terminology. Various factors may cause actual results to be materially different than the suggested outcomes within forward-looking statements. Accordingly, there is no assurance that such results will be realized. For details on the uncertainties that may cause our actual future results to be materially different than those expressed in our forward-looking statements, see our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q filed with the SEC and available at the SEC's website at *sec.gov*. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than described. Forward-looking statements speak only as of the date they are made. Duke Energy expressly disclaims an obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.