



# MANAGING CORPORATE RESPONSIBILITY

How we define and manage corporate responsibility and align our strategic priorities with risks and opportunities and environmental, social and governance issues.

For more than a century, Xcel Energy has had the privilege of serving customers and operating in hundreds of communities across its eight-state service territory. We have accomplished this by never losing sight of our responsibilities and the understanding that our success is uniquely tied to the success of those we serve.

## **BUILDING THE FUTURE, TODAY**

Our vision is to be the preferred and trusted provider of the energy our customers need. To fulfill this, we view our success today and, in the future, not simply as a measure of profit but equally as our broader impact on the public good. We have an obligation and opportunity to power people's lives and possibilities with energy they can trust to be safe, affordable, reliable and increasingly clean. We work every day to deliver on this commitment for customers and other stakeholders through our focus on the following environmental, social and governance (ESG) responsibilities.

**Environmental Responsibility:****Leading the clean energy transition and reducing environmental impact**

Now more than ever, we are investing in the technology and clean energy that will define our service for the future. As an early adopter of renewable energy, we are leading the clean energy transition and managing the risk of climate change through our bold vision to serve customers with 100% carbon-free electricity by 2050. Through cleaner electricity, we can help other sectors of the economy to reduce their carbon footprints, such as transportation, and just as we are committed to clean electricity, we have a comprehensive plan to reduce greenhouse gas emissions across the natural gas system, which includes supporting customers to help them reduce their carbon emissions from natural gas use. We are committed to minimizing and carefully managing our environmental impacts and providing transparent disclosure. By reducing carbon emissions, we also decrease other environmental impacts, such as air emissions, waste and water consumption. We take seriously our commitment to protect the environment, and this includes supporting stewardship and conservation projects through our community involvement — projects that further enhance and preserve the places where we live, work and do business.

**Social Responsibility:****Delivering every day for the people and places we serve**

We serve people, helping to power their homes and businesses, which provides comfort and convenience. We continually strive to create value by offering products and services that our customers want and need and operating in a way that protects the public and drives economic growth. We support our local communities as a partner in economic development, by assisting customers in need, and giving of our time, talent and financial resources. To deliver energy, we focus on continuous improvement, safety, reliability, affordability and increasingly clean energy. That means carefully managing costs, encouraging innovation in our operations and maintaining a secure, resilient power grid. As an employer, we provide a safe and rewarding workplace, one that values people and their contributions and reflects the diversity and strengths of our communities. We operate in a rapidly changing industry, driven by new technologies and evolving customer expectations. Cultivating a workforce that is equally dynamic, highly skilled and customer focused is one of our most important investments.

**Governance:****Maintaining trust through strong governance practices**

Our proven track record of strong financial and operational performance is rooted in a foundation of sound corporate governance and oversight. It starts at the top through a board that is experienced, diverse and engaged. With a strong independent lead director, 13 of our 14 board members are independent and six self-identify as female and/or minority. With experience across different disciplines and sectors, they collectively bring the depth and diverse perspectives our company needs to be successful. Through regular meetings and dialogue focused on strategic, operational and reputational matters, coupled with direct interaction with frontline employees and other best practices, our board provides effective oversight of risks and opportunities, including those related to our environmental and social responsibilities. While having a strong board and sound policies are critical to effective governance, we believe that culture is equally important. Through our Code of Conduct and core values — Connected, Committed, Safe and Trustworthy — we set clear expectations for employees to do the right thing and speak up and hold ourselves accountable. Our expectations for compliance and ethical business conduct extend beyond our internal operations to maintaining a responsible, reliable supply chain and engaging in public policy, which increasingly affects our ability to successfully implement business strategies. We have the policies and guardrails in place that support responsible and transparent engagement.

Throughout our Corporate Responsibility Report, we demonstrate our leadership and progress in fulfilling our environmental, social and governance responsibilities. We cover performance across 24 issues that are associated with these responsibilities and that are important to our industry and stakeholders.

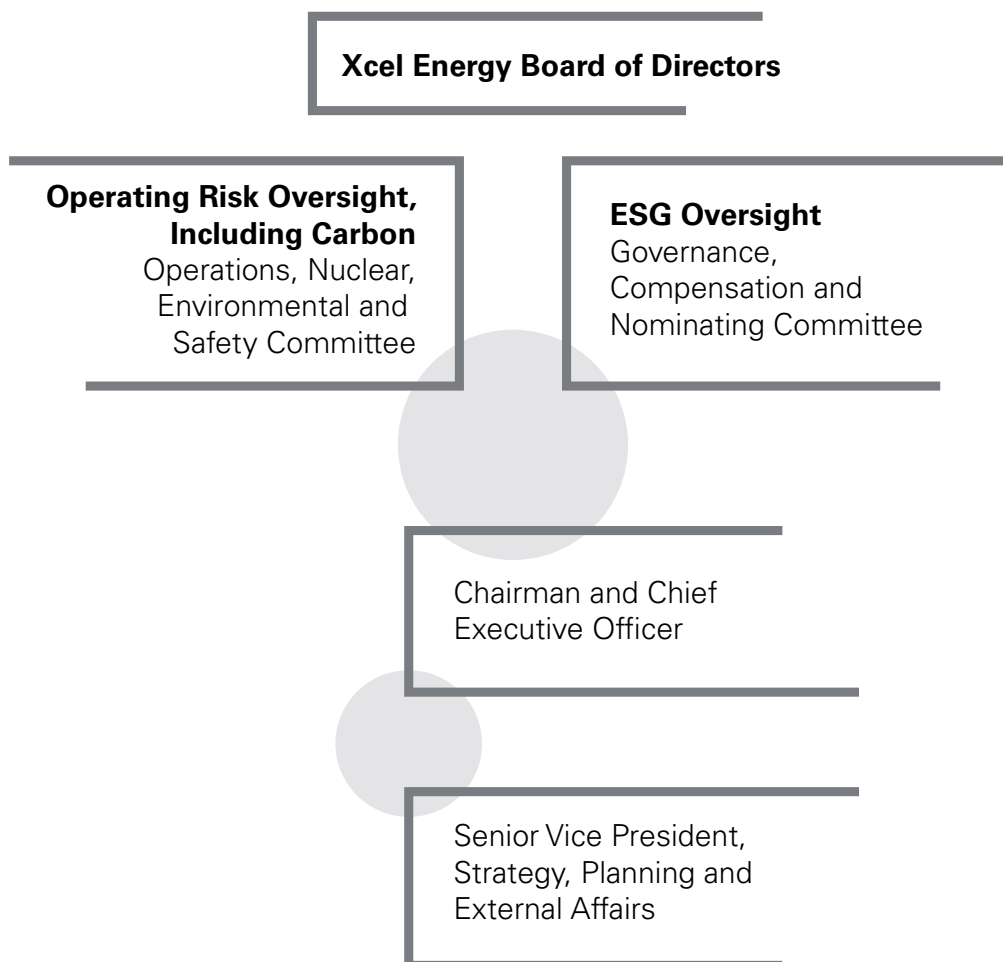
We provide information on these 24 issues in the [Stakeholder Engagement](#) section of the Corporate Responsibility Report.

## CORPORATE RESPONSIBILITY GOVERNANCE

Xcel Energy's governance structure integrates the company's ESG responsibilities at all levels, starting with designated leadership at the board and senior executive levels.

Xcel Energy's [2020 Proxy Statement](#) provides a full explanation of our corporate governance, beyond the governance of ESG responsibilities provided here.

### Designated leadership of ESG responsibilities ensures effective oversight.



The chairman and CEO leads all aspects of our ESG efforts and governance. The Governance, Compensation and Nominating Committee (GCN) has primary board committee responsibility for ESG-related issues and risks. It oversees activities and reporting of ESG matters, along with oversight of executive compensation and key policies such as the Code of Conduct and Political Contributions Policy. Additionally, the Operations, Nuclear, Environmental and Safety (ONES) Committee oversees all operational aspects including our environmental strategy and performance, safety and operational performance, customer service, and excellence in delivering electricity and natural gas service to customers. This includes oversight of operational risks and opportunities, including those related to climate, physical security, cybersecurity and public safety. Within the company, the senior vice president, Strategy, Planning and External Affairs serves the role of chief sustainability officer. This position reports to the chairman and CEO and is responsible for ESG-related policy, strategy, governance and reporting, including the management of climate-related risks, and regular ESG discussions with the board.

### Embedding ESG Responsibilities Across the Company

Along with designated leadership, our ESG responsibilities and initiatives are managed throughout the organization and integrated into our governance processes because these efforts are extensive and involve all areas of the business. With engaged leaders and organizations across the company, we effectively manage risks and opportunities and drive strong performance.

The table below describes key aspects of how we manage ESG responsibilities.

<p><b>Board Oversight</b></p>	<p>While the GCN is the primary committee responsible for ESG overall, board committees also have responsibilities that relate to and impact specific ESG performance areas.</p> <ul style="list-style-type: none"> <li>• <b>Audit Committee:</b> oversees corporate compliance related to ethics and business conduct</li> <li>• <b>Finance Committee:</b> oversees our clean energy investments, investor relations and financial health</li> <li>• <b>GCN:</b> oversees workforce development and compensation, executive compensation, including the long-term incentive with carbon reduction targets, the Code of Conduct, and lobbying and political contributions policies</li> <li>• <b>ONES Committee:</b> oversees employee and public safety, environmental performance and strategy, generation and utility operations, including reliability, affordability, physical security and cybersecurity.</li> </ul> <p>The full board considers and addresses key issues, including those related to ESG matters. In addition, it conducts a strategy session to consider new and emerging trends, consult with outside experts and assess current strategies and initiatives.</p>
<p><b>Executive Oversight and Management</b></p>	<p>The executive team plans and executes on strategies designed to achieve Xcel Energy’s priorities, including ESG responsibilities and initiatives.</p> <ul style="list-style-type: none"> <li>• The executive team is responsible for the execution of the strategic direction of the company and sets key initiatives, including growth plans, the clean energy strategy and other ESG efforts. It considers evolving customer trends and preferences, industry and technology needs affecting our business, developments in the external landscape, and policy considerations.</li> <li>• Strategies and key initiatives are crafted and executed to strike a balance among reliability, affordability and environmental impact.</li> <li>• Our executive incentive compensation is tied directly to company performance, specifically reliability, customer satisfaction, public and employee safety, achievement of carbon emission reduction goals and financial performance.</li> </ul>
<p><b>Business Area Management</b></p>	<p>While the entire organization supports ESG efforts, specific issues are directly tied to individual areas to manage. We use performance management techniques and compensation design to align employees around successful execution of our goals and efforts.</p> <ul style="list-style-type: none"> <li>• <b>Strategy, Planning and External Affairs:</b> ESG strategy, governance and reporting, leading the clean energy transition, energy policy, and resource and strategic planning</li> <li>• <b>Risk, Audit and Compliance Office:</b> risk management, ethics and compliance</li> <li>• <b>General Counsel:</b> corporate governance, disclosure and regulatory efforts that support our goals</li> <li>• <b>Generation:</b> power production and environmental performance and regulatory efforts that support the clean energy transition</li> <li>• <b>Operations:</b> customer electricity and natural gas service, including safety, affordability and reliability</li> <li>• <b>Customer and Innovation Office:</b> energy efficiency, customer programs and satisfaction, continuous improvement, economic development, security and emerging technology</li> <li>• <b>Human Resources:</b> workforce strategy and development, labor practices, public and employee safety, the Xcel Energy Foundation and employee engagement programs</li> <li>• <b>Financial Operations:</b> capital project governance, compliance, budget and cost management, investor relations and disclosure</li> </ul>
<p><b>Operating Companies</b></p>	<p>Our operating companies execute on our corporate strategy and implement plans that fulfill our ESG responsibilities.</p> <ul style="list-style-type: none"> <li>• Operating company staff engage with local stakeholders to help ensure mutual priorities and goals are addressed, including on energy policy issues, such as climate change, environmental policy and sustainability strategy.</li> <li>• Community giving and volunteer programs are implemented with local nonprofit organizations.</li> <li>• Regulatory and resource plans are proposed for serving customers and meeting their future energy needs, including maintaining affordability and achieving clean energy and other stakeholder priorities.</li> </ul>

## ALIGNING CORPORATE RESPONSIBILITY WITH CORPORATE STRATEGIC PRIORITIES, RISKS AND OPPORTUNITIES

Our board of directors and executive leadership team have identified three strategic priorities that represent the keys to our continued success in achieving our vision to be the preferred and trusted provider of the energy our customers need. These priorities include:

- Lead the clean energy transition
- Enhance the customer experience
- Keep bills low

Strong alignment exists between our strategic priorities and our environmental, social and governance responsibilities, and the risks or opportunities the strategic priorities are designed to address. We demonstrate this alignment in the following table. It points to our reporting on the management approach for the associated strategic priority, risk or opportunity.

	Strategic Priorities	Risks and Opportunities	Management Approach
Environmental	<b>Lead the Clean Energy Transition</b> <ul style="list-style-type: none"> <li>• Serve customers with cleaner, reliable and affordable energy through increased ownership of wind and solar generation and continued operation of our nuclear fleet</li> <li>• Invest in the power grid, including advanced technologies and transmission that enable more renewable energy</li> <li>• Reduce carbon and other emissions, improving environmental performance</li> <li>• Encourage and help enable low-carbon solutions in other sectors, including transportation, buildings and industrial operations</li> </ul>	<b>Environmental Requirements</b> Our operations depend on natural resources and have an impact on the environment. Because of this, we are subject to and comply with laws and regulations associated with air emissions, water quality, wastewater discharges and waste management. In addition, our customers expect us to protect the air and water, reduce waste and conserve natural resources.	<a href="#">Environmental Management</a>  <a href="#">Air Quality</a>  <a href="#">Managing Water Use</a>  <a href="#">Preventing and Managing Waste</a>
		<b>Climate Change Regulations and Policy</b> Climate change is an urgent issue for many of our customers, policy makers and investors, and is a priority for Xcel Energy as well. Legislative and regulatory responses related to climate change and new interpretations of existing laws create financial risk as our facilities may be subject to additional regulation at either the state or federal level. Such regulations could impose substantial costs. Although the United States has not adopted international or federal greenhouse gas emission reduction targets, many states and localities have adopted climate policies in the absence of federal mandate.	<a href="#">Leading the Clean Energy Transition</a>
		<b>Physical Climate Risks</b> As we make our carbon transition, we will continue to monitor and take steps to mitigate any climate risks along the way. Changing weather patterns, extreme weather conditions and other events, such as flooding, droughts, wildfires and snow or ice storms, can all impact our system in terms of system operability, customer demand, revenues, cost recovery and the health of regional economies.	<a href="#">Leading the Clean Energy Transition</a>  <a href="#">Reliable and Secure Energy</a>
		<b>Technology Innovation</b> Rapidly evolving technology is changing customer preferences for more sophisticated products and services, and those customer preferences are driving change in how we serve our customers. Meeting our aspiration to deliver 100% carbon-free electricity by 2050, will require innovation at a national, potentially global scale, to develop advanced, zero-carbon 24/7 electric generation and long-duration energy storage technologies.	<a href="#">Leading the Clean Energy Transition</a>  <a href="#">Energy Innovation</a>  <a href="#">Public Policy</a>

	<b>Strategic Priorities</b>	<b>Risks and Opportunities</b>	<b>Management Approach</b>
<b>Social</b>	<b>Enhance the Customer Experience</b> <ul style="list-style-type: none"> <li>• View our work through customers' eyes</li> <li>• Make it easy for customers to do business with us</li> <li>• Offer products and services that customers value</li> <li>• Invest in our local communities</li> </ul>	<b>Evolving Customer Expectations</b> Customers are consistently asking for more choice to meet their energy needs and expect a seamless experience with their service providers. Many are asking for new options around energy efficiency, renewable energy and electric vehicles.	<a href="#">Renewable Energy</a>  <a href="#">Energy Efficiency and Electric Vehicles</a>  <a href="#">Energy Innovation</a>
		<b>Community Engagement</b> Maintaining a positive relationship with local communities determines our ability to operate, build new infrastructure and safely deliver service. These relationships are essential to avoiding costs and difficulty executing on operational improvements, infrastructure investments and service delivery that our customers and communities depend on to power their lives and economies.	<a href="#">Community Relations and Economic Development</a>  <a href="#">Community Involvement</a>
		<b>A Diverse and Skilled Workforce</b> Our business strategy is dependent on the ability to recruit, retain and engage employees. Competition for skilled employees is high. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to new employees or future availability and cost of contract labor may adversely affect the ability to operate and serve our customers. Inability to attract and retain these employees could adversely impact our results of operations, financial condition or cash flows.	<a href="#">Human Capital Management</a>
		<b>Public and Employee Safety</b> Keeping employees and the public safe is core to any business but is especially important because of the hazardous nature of our business. Safety events can cause serious detriment to people, communities and our company.	<a href="#">Customer Commitment, including Public Safety</a>  <a href="#">Employee Safety</a>  <a href="#">Reliable and Secure Energy</a>
	<b>Keep Customer Bills Low</b> <ul style="list-style-type: none"> <li>• Carefully manage our costs</li> <li>• Continuously improve efficiency and how we work without compromising safety or reliability</li> <li>• Keep total bill increases at or below the rate of inflation</li> </ul>	<b>Energy Affordability</b> Affordability is critical part of our customers' experience. As a regulated utility, every customer, no matter the income level, must be able to afford the energy we deliver.	<a href="#">Customer Commitment</a>
		<b>Energy Reliability</b> Reliability is the core of electricity and natural gas service. In addition to supporting customer satisfaction, maintaining reliability is also critical to meeting standards laid out by our federal and state regulators. Serious reliability or cybersecurity incidents could compromise our ability to deliver the energy our customers rely on.	<a href="#">Reliable and Secure Energy</a>
		<b>Grid Reliability</b> As the use of technology and interconnected systems expands, the power grid is increasingly subject to attack. A security event could cause serious harm to our customers, systems and potentially the nation, not to mention potential fines and penalties from our regulators.	<a href="#">Reliable and Secure Energy</a>

	<b>Strategic Priorities</b>	<b>Risks and Opportunities</b>	<b>Management Approach</b>
<b>Governance</b>	<p><b>Corporate Governance</b> Strong governance and a culture of compliance is foundational to all our efforts. We continue to adopt governance best practices, ensure independent oversight through the right board structure and engaged and talented directors, and maintain accountability to shareholders through annual board elections and other measures.</p>	<p><b>Corporate Compliance</b> We must maintain a strong compliance program to ensure corporate compliance and ethical business practices. This is essential to building a positive reputation and trust, which gives customers and other stakeholders confidence in doing business with us.</p>	<p><a href="#">Corporate Compliance and Business Conduct</a></p>
		<p><b>Energy Policy</b> State energy policy, including issues around rate recovery, rate design and incentive structures, impact our ability to maintain low-cost service for our customers, how we do business, and our ability to successfully implement our business strategies and grow.</p>	<p><a href="#">Public Policy</a></p>

We describe Xcel Energy's risk management process and discuss material corporate risks in Xcel Energy's [annual 10K](#) and [proxy statement](#).