

PINNACLE WEST

CAPITAL CORPORATION

2020 Corporate Responsibility Report Overview

April 15, 2021

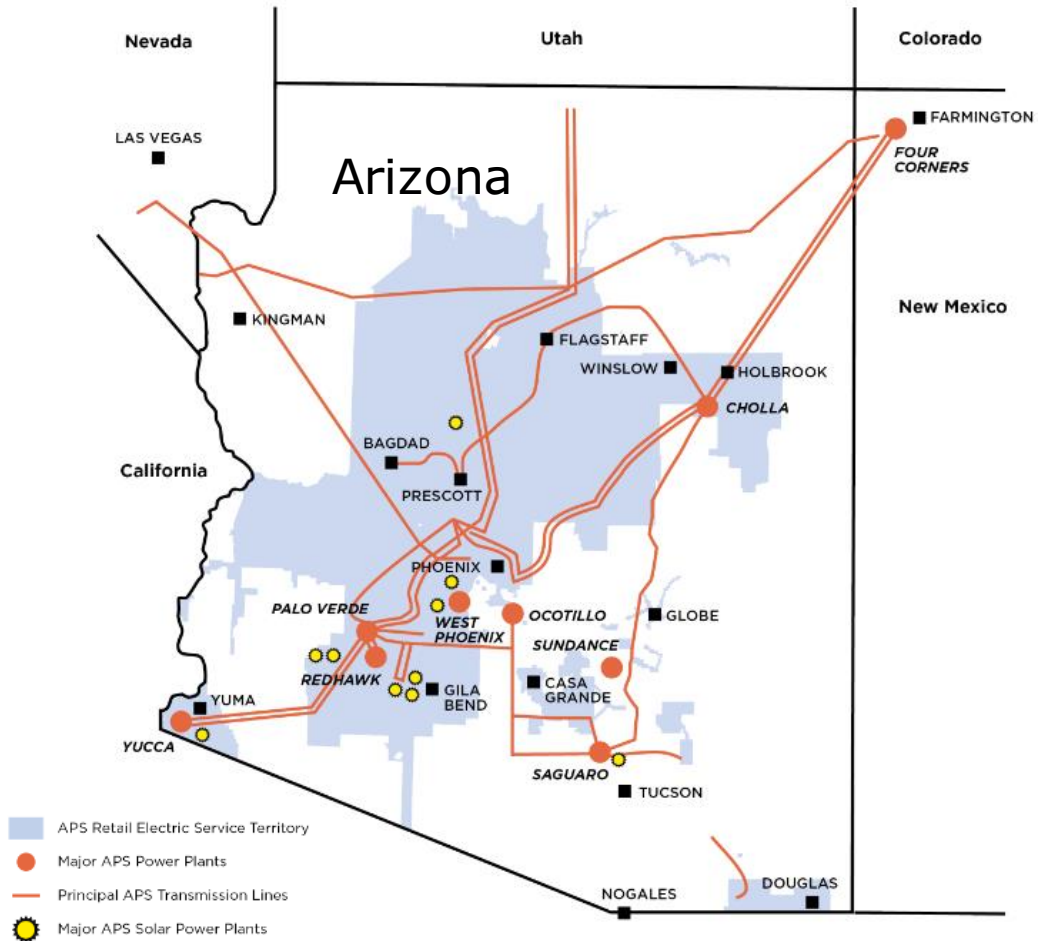


Forward Looking Statements

This presentation contains forward-looking statements based on current expectations, including statements regarding our earnings guidance and financial outlook and goals. These forward-looking statements are often identified by words such as “estimate,” “predict,” “may,” “believe,” “plan,” “expect,” “require,” “intend,” “assume,” “project,” “anticipate,” “goal,” “seek,” “strategy,” “likely,” “should,” “will,” “could,” and similar words. Because actual results may differ materially from expectations, we caution you not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by Pinnacle West or APS. These factors include, but are not limited to: the potential effects of the continued COVID-19 pandemic, including, but not limited to, demand for energy, economic growth, our employees and contractors, supply chain, expenses, capital markets, capital projects, operations and maintenance activities, uncollectable accounts, liquidity, cash flows, or other unpredictable events; our ability to manage capital expenditures and operations and maintenance costs while maintaining reliability and customer service levels; variations in demand for electricity, including those due to weather seasonality, the general economy or social conditions, customer and sales growth (or decline), the effects of energy conservation measures and distributed generation, and technological advancements; power plant and transmission system performance and outages; competition in retail and wholesale power markets; regulatory and judicial decisions, developments and proceedings; new legislation, ballot initiatives and regulation, including those relating to environmental requirements, regulatory and energy policy, nuclear plant operations and potential deregulation of retail electric markets; fuel and water supply availability; our ability to achieve timely and adequate rate recovery of our costs, including returns on and of debt and equity capital investments; our ability to meet renewable energy and energy efficiency mandates through our adjustor and recovery mechanisms and recover related costs; the ability of APS to achieve its clean energy goals (including a goal by 2050 of 100% clean, carbon-free electricity) and, if these goals are achieved, the impact of such achievement on APS, its customers, and its business, financial condition and results of operations; risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty; current and future economic conditions in Arizona, including in real estate markets; the direct or indirect effect on our facilities or business from cybersecurity threats or intrusions, data security breaches, terrorist attack, physical attack, severe storms, droughts, or other catastrophic events, such as fires, explosions, pandemic health events, or similar occurrences; the development of new technologies which may affect electric sales or delivery; the cost of debt and equity capital and the ability to access capital markets when required; environmental, economic and other concerns surrounding coal-fired generation, including regulation of greenhouse gas emissions; volatile fuel and purchased power costs; the investment performance of the assets of our nuclear decommissioning trusts, pension, and other postretirement benefit plans and the resulting impact on future funding requirements; the liquidity of wholesale power markets and the use of derivative contracts in our business; potential shortfalls in insurance coverage; new accounting requirements or new interpretations of existing requirements; generation, transmission and distribution facility and system conditions and operating costs; the ability to meet the anticipated future need for additional generation and associated transmission facilities in our region; the willingness or ability of our counterparties, power plant participants and power plant land owners to meet contractual or other obligations or extend the rights for continued power plant operations; and restrictions on dividends or other provisions in our credit agreements and ACC orders. These and other factors are discussed in Risk Factors described in Part I, Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2020, which you should review carefully before placing any reliance on our financial statements, disclosures or earnings outlook. Neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by law.

Arizona's Largest Electric Company

Service Territory¹



Key Facts as of Dec. 31, 2020

Consolidated assets	\$20B
Revenues	\$3.6B
Market cap	~\$9B
Generating capacity owned or leased	~6.3 GW
Customers	1.3M
Current % from clean energy	~50%
Nuclear plant in U.S.	Largest

¹ As of December 31, 2020

Creating a Sustainable Energy Future for Arizona

“Our vision for creating a sustainable energy future for Arizona means that we work to advance a clean and healthy environment, a vibrant economy and strong communities, for today and for future generations.”

Ann Becker
VP Sustainability, APS
ESG Executive Council Chair

2020 ESG Highlights

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ENVIRONMENTAL



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Our Clean Energy Plan

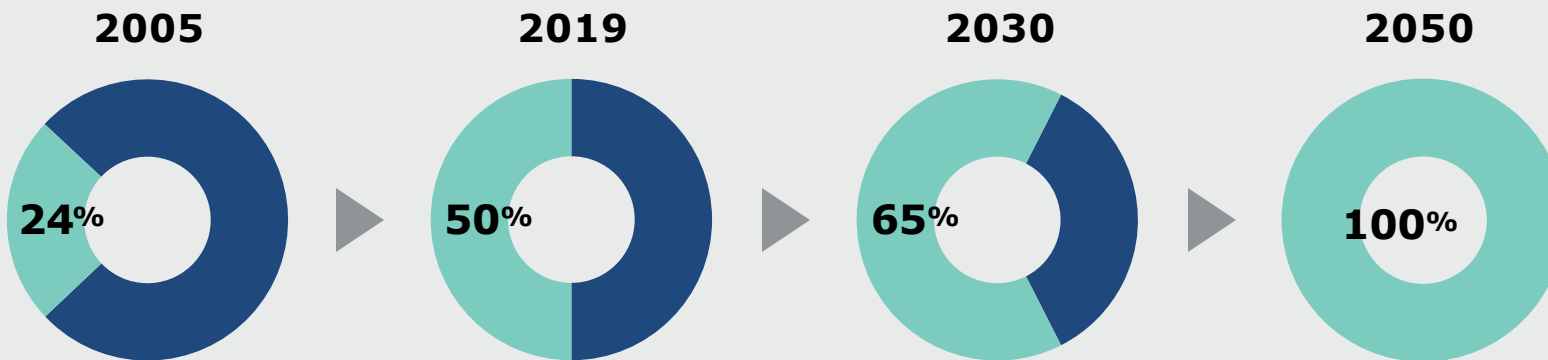


Commitments

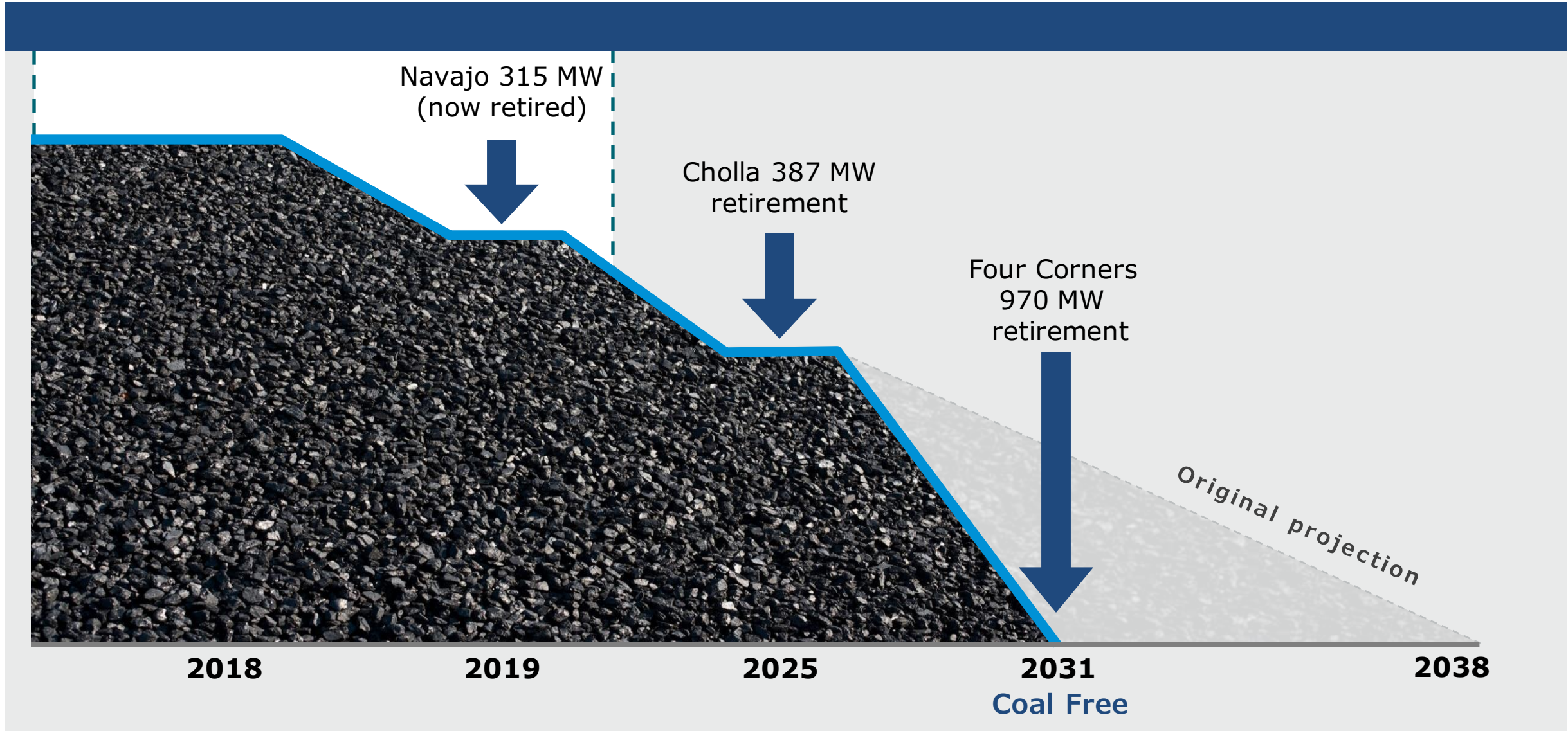
- 1** 100% clean, carbon-free electricity by 2050
- 2** 65% clean energy by 2030 with 45% renewable energy
- 3** Exit coal-fired generation by end of 2031



Pathway



Coal Exit Strategy | 7 Years Earlier than Originally Projected




New Energy Sources to Achieve Clean Energy Goals

2020 Accomplishments

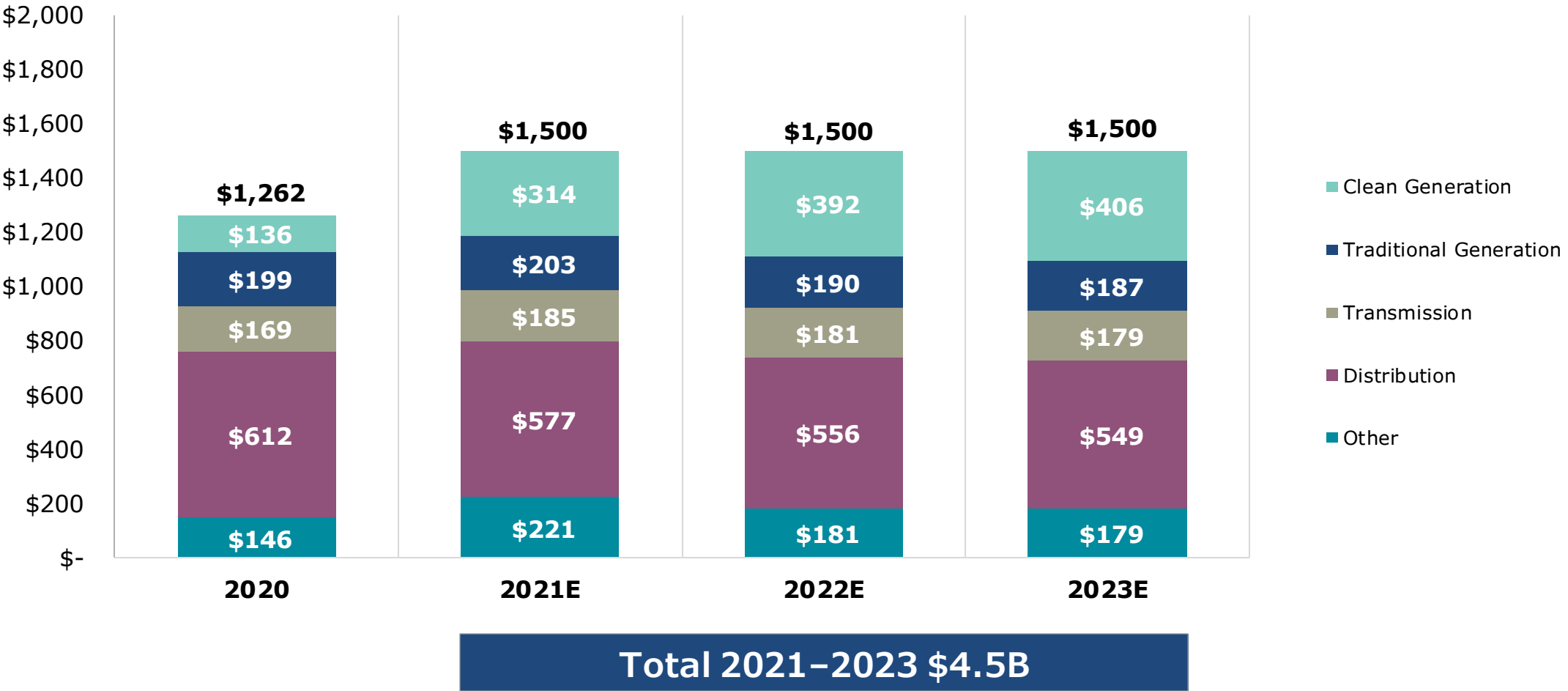
- Announced our Clean Energy Commitment - provide 100% clean, carbon-free electricity by 2050
- Added more than 400 MW of clean energy resources
- Issued RFPs to add more than 1 GW of new resources through 2024

Resource Mix Change

	Today		2035
Coal	14%	➡	0%
Gas	28%	➡	6-17%
Nuclear	23%	➡	16%
Purchased	8%	➡	11%
Renewable/ DSM	27%	➡	56-67%



Advancing on Path to 100% Clean Energy – Three Year Capital Plan of \$4.5B¹



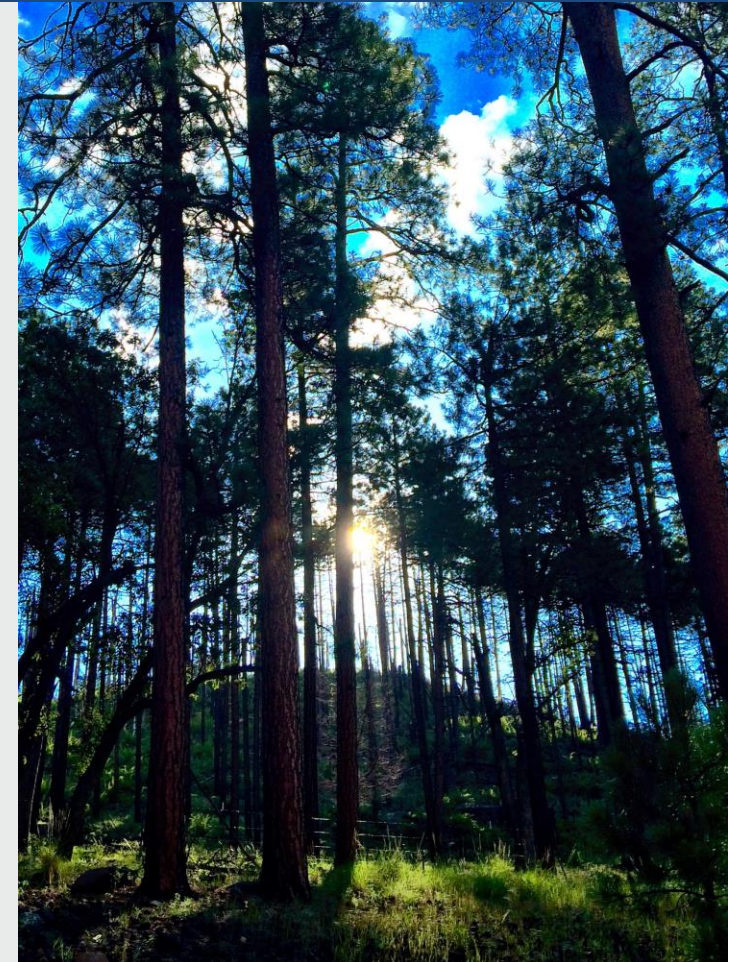
¹ As disclosed in the Annual Report on Form 10-K for the period ending December 31, 2020.

Innovation Is Integral to Our Clean Energy Commitment



Partnerships

- Sponsored the Electric Power Research Institute's **Low-Carbon Resource Initiative**
- Teamed with **Advanced Energy Economy** to support transportation electrification in Arizona
- Partnered with **Idaho National Laboratory** to assess the viability of hydrogen production at Palo Verde Generating Station



Responsible Water Management Supports Viability of Our Communities in the Desert Southwest



Water Conservation

Commitment to reduce groundwater usage

- 2020 – **14%**¹ **reduction** in groundwater
- 2020 – **69%** of all water consumed by APS power plants was treated effluent water

Projected conservation of groundwater usage

- 2035 – **82%** groundwater reduction¹ and **96%** use of treated effluent water

¹Based on 2014 usage baseline



Environmental Stewardship Is a Key Consideration in Every Decision We Make



Fire Mitigation



- Maintained safe clearances along 11,000+ miles of distribution lines and 6,000+ miles of transmission lines to reduce wildfire risks
- Implemented a proactive program to create defensible space around utility poles

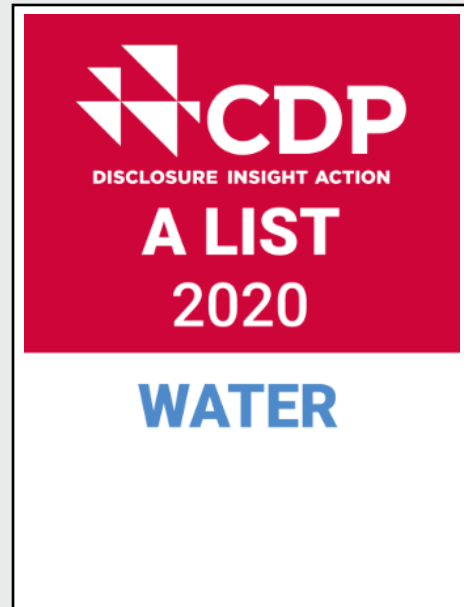
Recognition & Commitments



- We are taking the **Million Pollinator Garden Challenge** by building pollinator habitats at substations
- One of seven North American utilities recognized as **Right-of-Way Steward Utility** through the Right-of-Way Stewardship Council

Environmental Leadership Recognition

2020 Recognitions



¹ Report dated April 14, 2020

2020 ESG Highlights

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Swift Action in Response to COVID-19 for Employee Safety

- Shift to remote work for employees who do not need to be on site
- Safety protocols and critical workers weekly testing
- PPE, equipment and health screenings
- Case tracking and self quarantine requirements
- COVID dashboard to keep employees informed



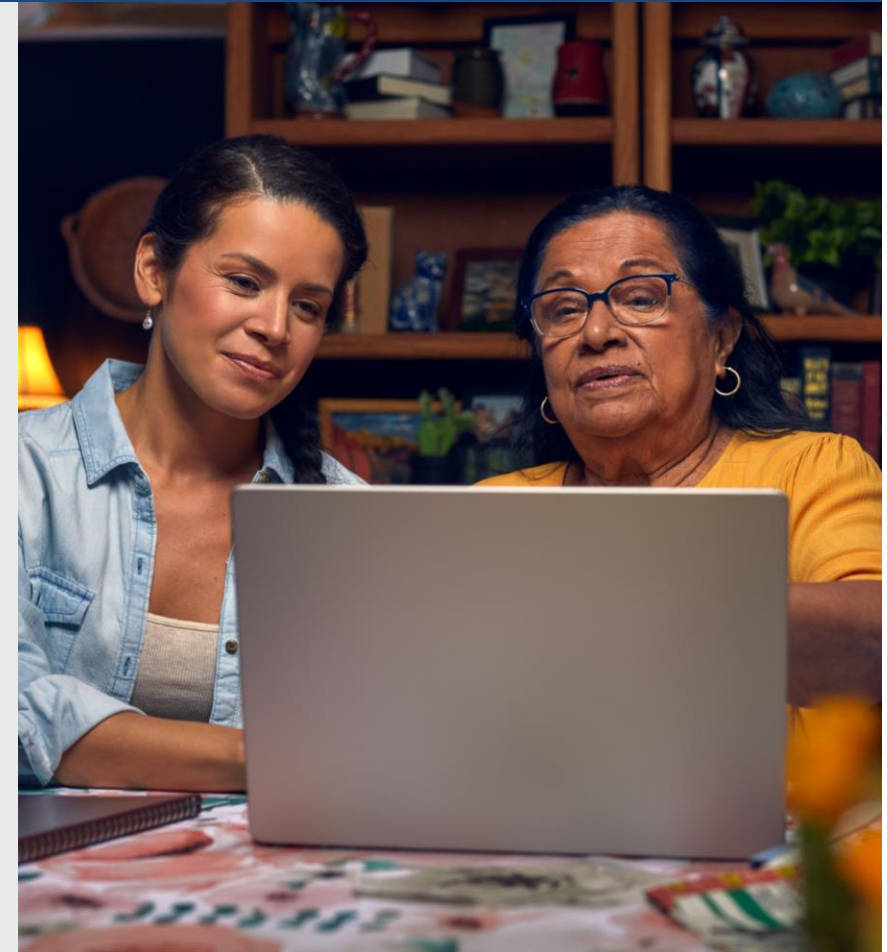
Support for Customers and Community Impacted by COVID-19

APS committed over \$15 million in pandemic aid

- **\$12.4 million** – Customer support fund
- **\$2.7 million** – Community pandemic relief

Customer Support

- Suspended shutting off power for non-payment mid-March through end of 2020
- Support fund provided credits for customers with a delinquency of two or more months; additional credits for limited-income customers
- Extended payment plans for customers with past due balances
- Credits to assist extra-small and small business customers



Support and Payment Assistance for Customers

Crisis Bill Assistance

- Provided to limited-income customers
- Up to **\$800 per year** to assist with bills
- Pending request for ACC approval for funding increase to **\$2.5 million annually**, with expanded enrollment eligibility

Energy Support Program

- **25% discount** on monthly bill for qualifying limited income customers
- Currently funded at **\$48 million annually**
- **22% enrollment increase** during 2020



Listening to and Working Together with Customers



Take Charge AZ



- Pilot program to encourage electric vehicle adoption by installing charging stations
- Expect to install more than 250 chargers through 2021

Customer Advisory Board



- Gathers direct insight from residential customers
- Identifies customer concerns to shape and co-create solutions

Customer Savings



- Energy efficiency programs for our customers have resulted in the following savings:
 - 585,637 MWh in 2020
 - 6,368,200 MWh since 2005

Working with Customers to Meet Our Clean Energy Commitment

Solar Communities



- Installation and maintenance of solar systems owned by APS
- Program for limited and moderate-income customers
- \$360 bill credit annually
- 688 household installations

Demand Response Programs



Cool Rewards

- 31,200 connected smart thermostats
- Reduced peak demand up to 48 MW

Storage Rewards

- 33 residential battery systems

Reserve Rewards

- 226 grid interactive water heaters

Energy Efficiency

Proposed Programs

- Subscription rate pilot offering rate-optimized smart thermostats
- EV-ready pre-wiring and connected water heating in the Residential New Construction program
- Connected pool pump pilot that couples energy savings options with potential load shifting
- Standby truck refrigeration, electric forklifts, and airport electrification incentives

Investing in Our Communities Through Programs and Partnerships



Charitable Causes

- Donated more than **\$11.1 million** in 2020 to worthwhile causes

Coal Community Transition

- Worked collaboratively with stakeholders and leaders to propose a comprehensive coal communities transition plan

Arizona Schools

- Gave **500 Arizona K-12 teachers \$500 each** to purchase classroom supplies
- Gave **45 Title 1 public schools in Arizona \$5,000** to spend on pressing needs



Investing in Our Communities Through Programs and Partnerships

Community Support

- Employees pledged **\$2.2 million** to United Way and spent an estimated **82,000 hours** volunteering

Small Business Support

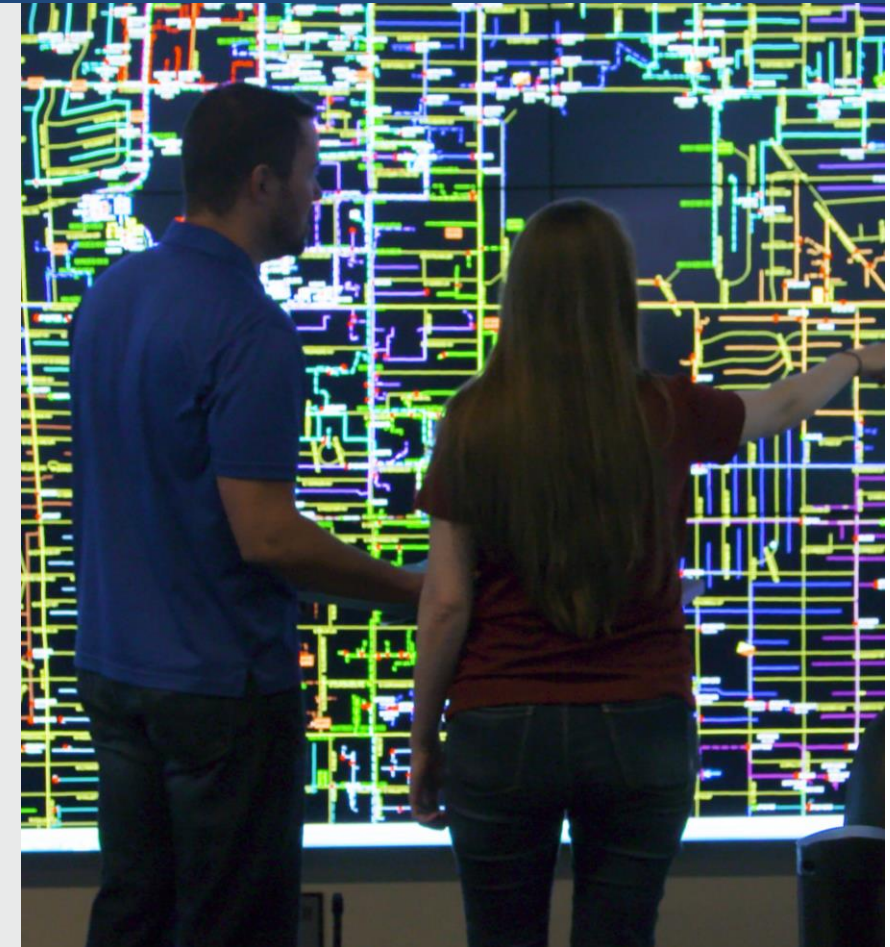
- Grants and technical assistance to empower approximately **1,100 small business**



Supporting Our People to Strengthen Our Company



- Virtually hosted **56 summer interns** from **11 different universities** with a diversity rate of **52%**
- **Robust employee engagement**, including **10 Employee Network Groups**
- Average **employee tenure of 12 years** due to strong talent retention strategies
- Total **turnover for 2020 was 7.5%** (3.7% of which were related to retirements)
- **Employee surveys** for continual improvement of employee experience



Enhanced Diversity, Equity and Inclusion Unites Our Team

Employee Diversity



- **32%** are ethnically or racially diverse
- **24%** are female
- **17%** are veterans

New Hires in 2020



- **36%** were ethnically or racially diverse
- **36%** were female
- **18%** were veterans

Female Officers



- **33%** of all officers are female
- **First** female Chief Nuclear Officer at Palo Verde

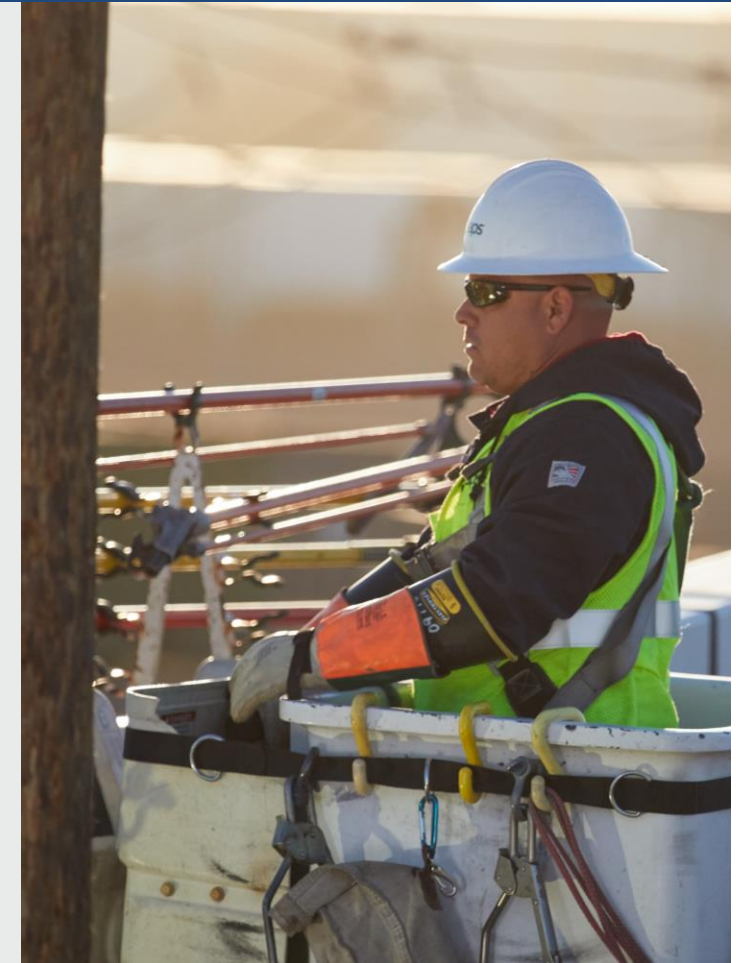
2020 Inclusion Council

In 2020, we launched our **Inclusion Council**, comprised of:

- The **Employee Advisory Board**
- The **Inclusion Steering Committee**
- The **Inclusion Working Team**
- The **Executive Advocates**

Employee Safety Is Our Top Priority

- **Top quartile** safety record for OSHA recordable injuries compared to peer electric utilities
- For 2020, the number of employees seriously injured on the job has **declined by more than 50%**
- **Safety Focus Areas:**
 - Serious Injuries and Fatalities metric
 - Continue to learn as an organization and build the capacity to fail safely



Security Awareness and Coordination

Examples of Security Initiatives

Anti-phishing campaign and training

- Annual phishing identification rate in 2020 of **96.6% exceeds industry average** benchmarks and continues to improve year over year

Situational awareness campaign and training

- Mandatory online and supplemental in-person training
- Educational materials distributed throughout the year

Industry Coordination



Coordination with industry on best practices and standards

- Federal, state and local government partners
- Utility associations
- Private sector information sharing organizations
- Regulatory bodies

Partnering with Suppliers Who Share Our Commitment to Sustainability Practices

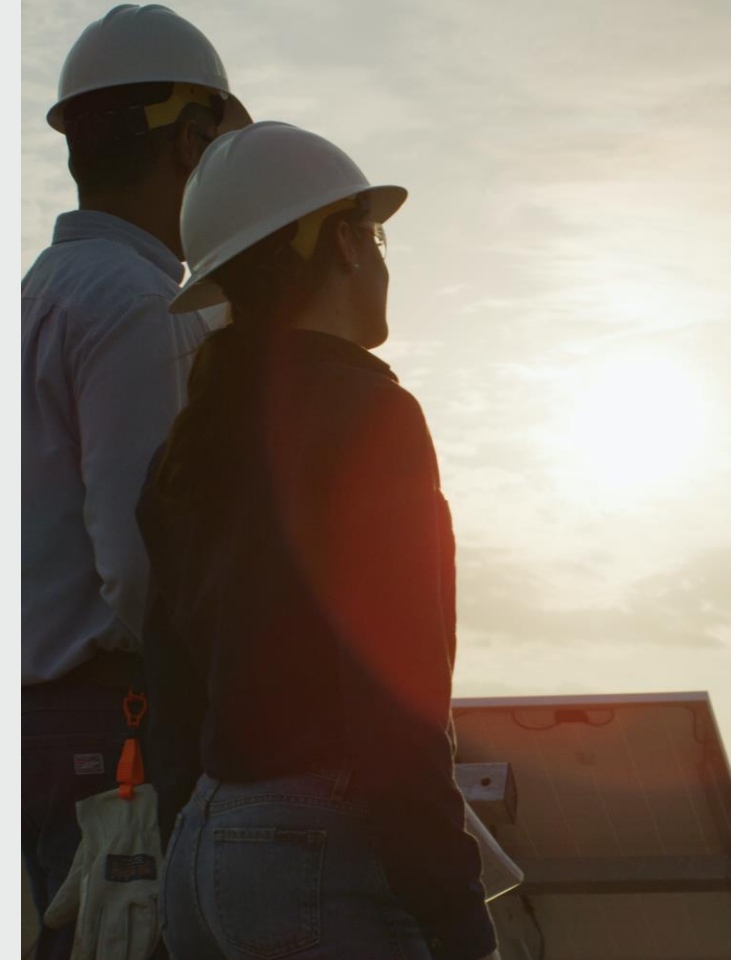


Promoting Sustainability

- Our Supply Chain Sustainability Council aims to select suppliers who prioritize sustainability

Fostering Diverse Strategic Partners

- Supplier Diversity and Development Program enabled **\$409 million in spending** with diverse suppliers in 2020
- Diverse Supplier Training Program for local diverse business owners provides knowledge and skillsets to grow their businesses



Supply Chain Partnering with Suppliers Who Share Our Commitment to Sustainability Practices

Supplier Engagement

- Member of **Utility Supply Chain Alliance** with peer utilities and suppliers, sharing sustainability best practices
- **Key Supplier Forum Awards** for exceptional supplies
- **CDP Supplier Engagement Leader** for the past three years



Social & Governance Leadership Recognition

2020 Recognitions



**Training
Magazine**

**Top 100
Learning and
Development
Organization**

**HIRE Platinum Medallion
Award 2018-2020**

US Department of Labor



**Women in Nuclear
National Award for Best
Public Outreach**

2020 ESG Highlights

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ENVIRONMENTAL



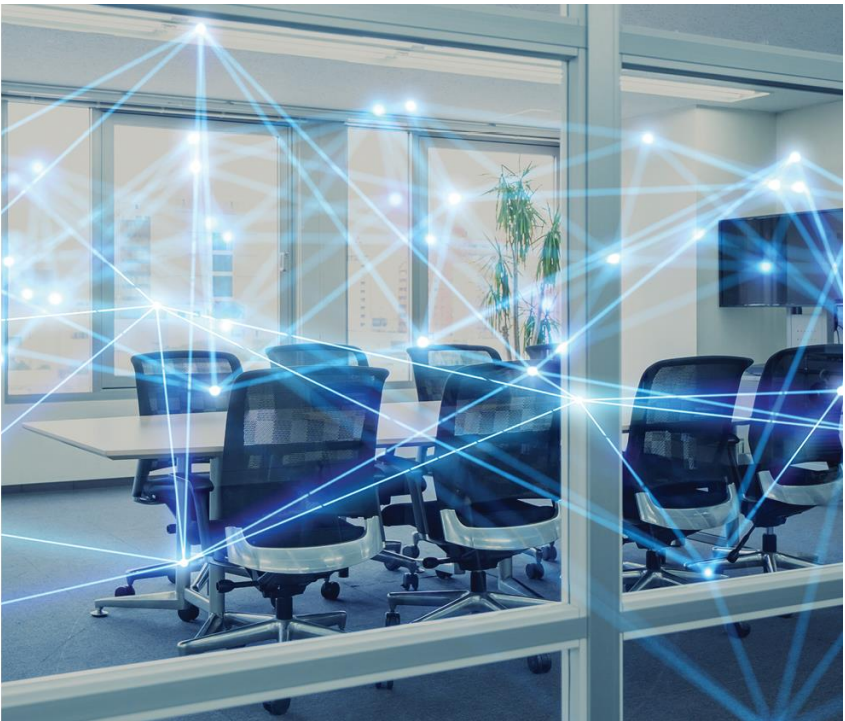
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GOVERNANCE



Our Strong Governance Enables Successful Execution

Board Independence



- Ten of our eleven director nominees are **independent**
- **Robust board refreshment**, with Director retirement policy
- **Independent lead director** with clearly defined responsibilities
- **Reorganized board** committees in 2020 with new chairs of the Finance and Nuclear and Operating Committees

Board Oversight



- Newly defined **oversight of environmental, social and governance practices** by the Corporate Governance and Public Responsibility Committee
- Robust **management succession planning**
- Board oversight of **strategy** and **risk**

Diverse Board Representation

- **36%** of independent directors **gender or ethnically diverse**
- Diversity in skills, knowledge and expertise
- **Average tenure will be 8.1¹** years, a 33% decrease from 2016

¹ As of May 19, 2021



Strengthened Governance Structure to Drive ESG Performance



Jeffrey B. Guldner

Chairman of the Board,
President & CEO,
Pinnacle West
Chairman of the Board
& CEO, APS



Barbara Lockwood

SVP Public Policy, APS
ESG Executive Council
Sponsor



Ann Becker

VP Sustainability, APS
ESG Executive
Council Chair

Board Oversight

- Board oversight of strategy and increased emphasis on environmental, social and governance practices
- Corporate Governance and Public Responsibility Committee reviews ESG trends, ensures oversight of ESG issues and makes recommendations to the Board

ESG Executive Council

- Develops and maintains a common, cross-functional ESG vision and shared value across all business units
- Aligns and integrates ESG strategies with the overall corporate strategic direction
- Develops and maintains a common, cross-functional oversight of ESG reporting and implementation
- Measures and reports on activities to reach our Clean Energy Commitment

Sustainability and ESG Policy and Reporting Organization

- Oversees ESG reporting and sustainability policy for the organization

Culture Change – The APS Promise

- The **APS Promise** represents our **commitment** to our customers, community and each other
- The **APS Promise** creates a foundation for our work in diversity, equity and inclusion
- We will achieve our vision of creating a **sustainable energy future** for Arizona by embracing our **Principles**



The APS Promise

Our Purpose

As Arizona stewards, we do what is right for the people and prosperity of our state.

Our Vision

Create a sustainable energy future for Arizona.

Our Mission

Serve our *customers* with *clean*, *reliable* and *affordable* energy.



Our Principles

The culture and behaviors that will enable us to fulfill our **purpose**, **vision** and **mission**.

Design for Tomorrow

See the Way Forward
Innovate with Courage
Value Learning

Empower Each Other

Embrace Diverse Perspectives
Challenge Respectfully
Unite as One Team

Succeed Together

Create Clarity
Anchor in Safety
Deliver for the Community

How It Aligns: The 10-Year Strategic Plan

- Describes how we will execute our **Mission** to achieve our **Vision**
- **Sets priorities** while proactively **focusing plans** and resources
- Guides the **business planning process**



Looking Ahead – Priority Sustainability Issue Assessment

