



INDEPENDENT REVIEW

This is the third year that Duke Energy has invited [Business for Social Responsibility \(BSR\)](#) to conduct an independent review of the company's annual Sustainability Report. In addition to highlighting the strengths and areas for improvement we see in the 2008|2009 report, we reflect on the progress in Duke Energy's reporting practices since 2006 and how future reports can address a changing business and world. It should be noted that our review neither verifies nor expresses an opinion on the accuracy, materiality, or completeness of information provided in this report.

Significant strengths and achievements include:

- **Capturing the complexity and dynamism of 'sustainability.'** This year's report confronts the changing, and increasingly inter-related, landscape of sustainability issues for Duke Energy and the consequent evolution of the company's sustainability activities. It highlights the emerging issue of water scarcity (p.9) and the re-prioritization of economic development and financial strength in light of the economic crisis, discusses new challenges and opportunities, and shares a commitment to revise the sustainability goals in response. We look forward to hearing how Duke is applying systems thinking to sustainability and adapting efforts to address dynamic social and environmental trends.
- **Insight into sustainability implementation and culture.** The summary of management approach (p.11) responds directly to last year's recommendation to share how Duke Energy is 'building a culture of sustainability'

for *all* employees; its enhancement constitutes leadership practice in reporting.

- **Tone.** We have consistently been impressed by the open, direct, and authentic voice in Duke Energy's reports. Accessible language, clear explanations of complex topics, and straightforward acknowledgement of challenges and criticisms create a balanced and effective report. We hope to see this best practice continue.

In future reports, we encourage Duke Energy to strive to:

- **Clearly track the evolution of material issues and stakeholder expectations.** Duke Energy's new business ventures in wind, solar, biomass, plug-in vehicles, and smart grids raise new sustainability questions and will transform the company's relationships with stakeholders. How will the company tackle security and privacy concerns about smart grid technology? How will the role of customers change with distributed solar generation? Going forward, we recommend that the company more explicitly show readers how 'material' issues and stakeholder expectations are changing over time.
- **Continue to strengthen stakeholder voices.** We were pleased to see Duke Energy incorporate internal and external stakeholder views into the report with quotes and Q&As, adding texture and insight. However, we hope to see the company push the envelope with more critical perspectives and greater alignment of stakeholder voices across both the sustainability and annual reports.

- **Reflect more on cumulative impact.** In the sustainability plan's third year of implementation, we would like to see more reporting of trends and evaluation of cumulative (as well as annual) impact of Duke Energy's sustainability efforts. These reflections as well as inclusion of future targets will provide a more comprehensive view of achievement.
- **Articulate the impact of sustainability on the bottom line.** We encourage Duke Energy to take on the challenge of measuring – and communicating – the business impact of sustainability efforts. Doing so will further concretize the link between sustainability and business success for both internal and external stakeholders, and focus resources on activities with the greatest sustainability *and* business impact. Both are particularly critical during a time of economic stress.

2009 promises to be a watershed year for the future of energy at home and abroad: imminent climate legislation and substantial government investment in energy infrastructure in the U.S., and increasing momentum for concerted international action on climate change suggest fundamental changes are on the horizon. Next year, we look forward to continuing to hear how Duke Energy is working with stakeholders to ask – and answer – 'what should the future of energy look like?'

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