

# PINNACLE WEST

CAPITAL CORPORATION

## 2023 Proxy Engagement



# 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 current economic environment and its effects, such as lower economic growth, a tight labor market, inflation, supply chain delays, increased expenses, volatile capital markets, or other unpredictable effects; 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 (including large increases in ambient temperatures), the general economy or social conditions, customer, and sales growth (or decline), the effects of energy conservation measures and distributed generation, and technological advancements; the potential effects of climate change on our electric system, including as a result of weather extremes such as prolonged drought and high temperature variations in the area where APS conducts its business; 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 or interpretations of existing legislation or regulations, 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 through our rates and adjustor recovery mechanisms, including returns on and of debt and equity capital investment; our ability to meet renewable energy and energy efficiency mandates 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; the direct or indirect effect on our facilities or business from cybersecurity threats or intrusions, data security breaches, terrorist attack, physical attack, severe storms, 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, including as a result of delays in the development and application of new technologies; the cost of debt, including increased cost as a result of rising interest rates, and equity capital and the ability to access capital markets when required; environmental, economic, and other concerns surrounding coal-fired generation, including regulation of GHG emissions; volatile fuel and purchased power costs; the investment performance of the assets of our nuclear decommissioning trust, 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 landowners 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, 2022, 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.

In this presentation, references to net income and earnings per share (EPS) refer to amounts attributable to common shareholders.

# Navigating Short-Term Challenges. Longer-Term, A Powerful Growth Story

**1**

**ESG leadership**

**2**

**Shift to clean**

**3**

**Substantive social  
impact**

**4**

**Strong governance**

**5**

**Voting items**





AT A GLANCE

# Arizona's Largest Electric Company

## Service Territory<sup>1</sup>



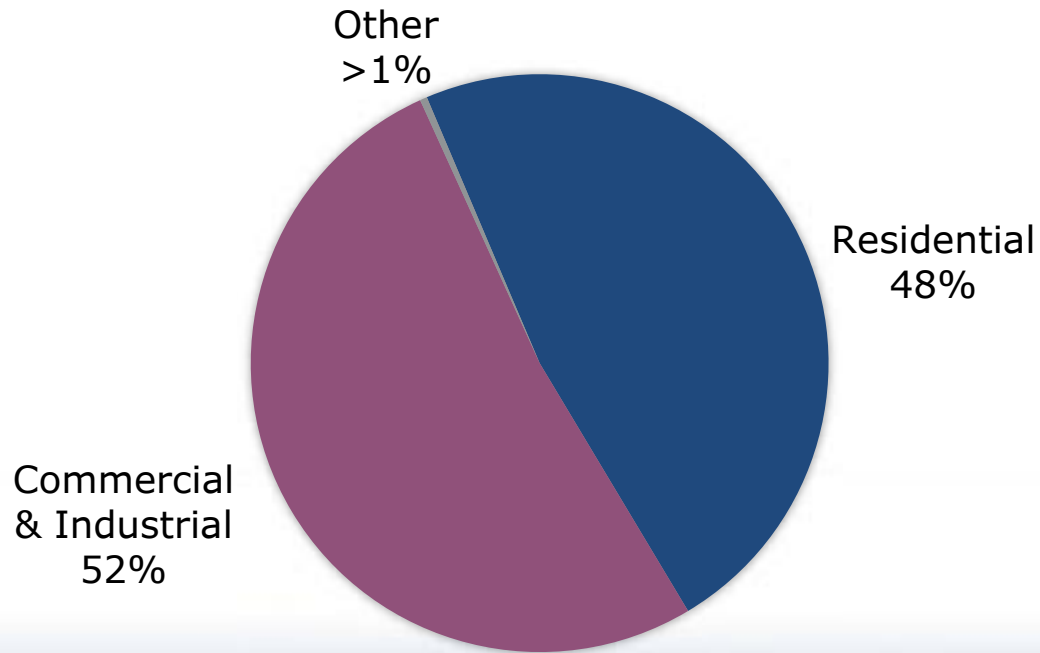
## Key Facts as of Dec. 31, 2022

Consolidated assets	<b>\$22.7B</b>
Revenues	<b>\$4.3B</b>
Market cap	<b>~\$8.6B</b>
Generating capacity owned or leased – year end	<b>~6.3 GW</b>
Customers	<b>1.3M</b>
Current % from clean energy	<b>~51%</b>
Nuclear plant in U.S.	<b>Largest</b>

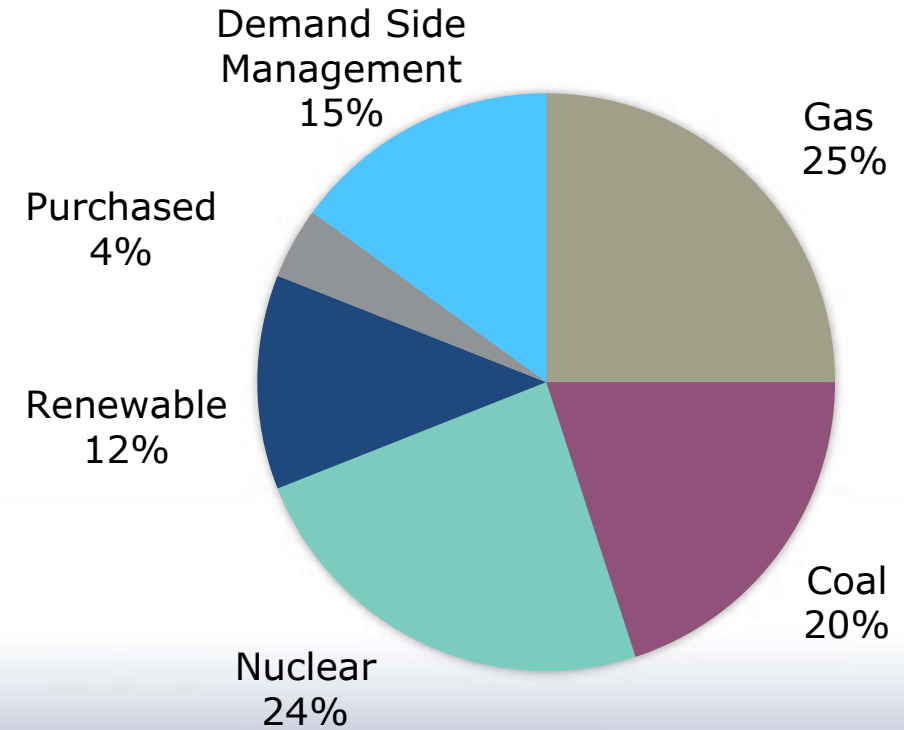
<sup>1</sup> As of December 31, 2022.

# Attractive Customer Mix and Shifting Generation Profile

**Retail Sales Mix<sup>1</sup>**



**Energy Mix – Will Shift Going Forward<sup>1</sup>**



<sup>1</sup> As of December 31, 2022.

# Leading ESG Practices Guide Our Approach – Snapshot

## Environmental



- ✓ Achieved a CDP Leadership score in Water Security four years in a row<sup>1</sup>
- ✓ MSCI ESG “AA” rating<sup>2</sup>
- ✓ Reduced carbon by 24% since 2005 and retired over 1,000 MW of coal

## Social



- ✓ Diversity, equity and inclusion strategy
- ✓ 44% of new hires ethnically or racially diverse
- ✓ Commitment to support Coal Community Transition Plan

## Governance



- ✓ 45% of independent directors gender or ethnically diverse
- ✓ ESG Executive Council
- ✓ Board oversight of strategy, risk, and ESG trends

# ESG Leadership – Recognitions



**2022 A- Score for  
Water Security**



**Pinnacle West's ESG  
Rating AA<sup>1</sup>**



**Training Magazine**

**2023 Ranked as a Top  
Employee and  
Development  
Organization**



**Forbes Best Employer in  
Arizona**

Named to the annual ranking of the world's  
**2022 Top 100 Green Utilities** by



**2021 US Women in  
Nuclear Leadership  
Award**



# Navigating Short-Term Challenges. Longer-Term, A Powerful Growth Story

**1**

**ESG leadership**

**2**

**Shift to clean**

**3**

**Substantive social  
impact**

**4**

**Strong governance**

**5**

**Voting items**





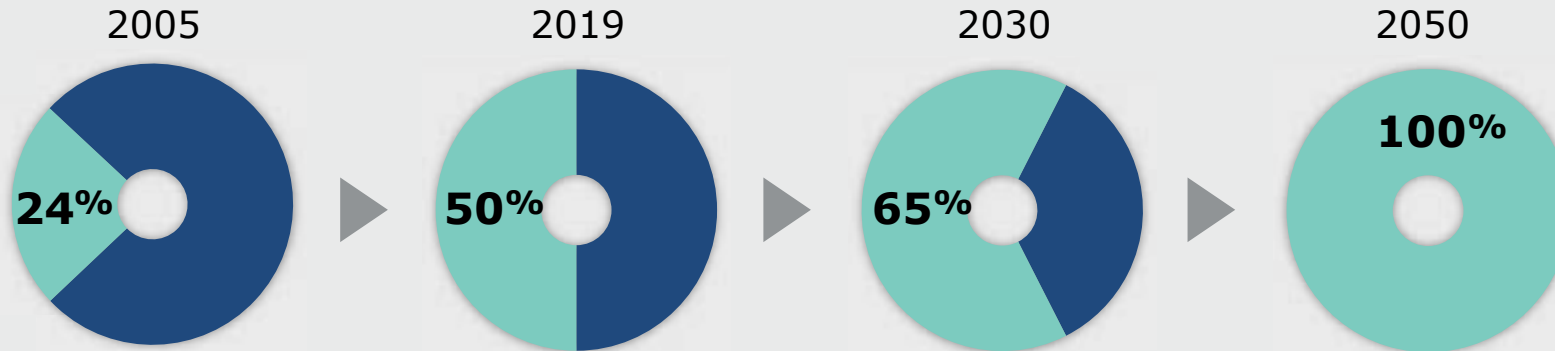
# A Clear Plan for Clean Energy Transition

## Progress Towards Meeting Clean Energy Commitment

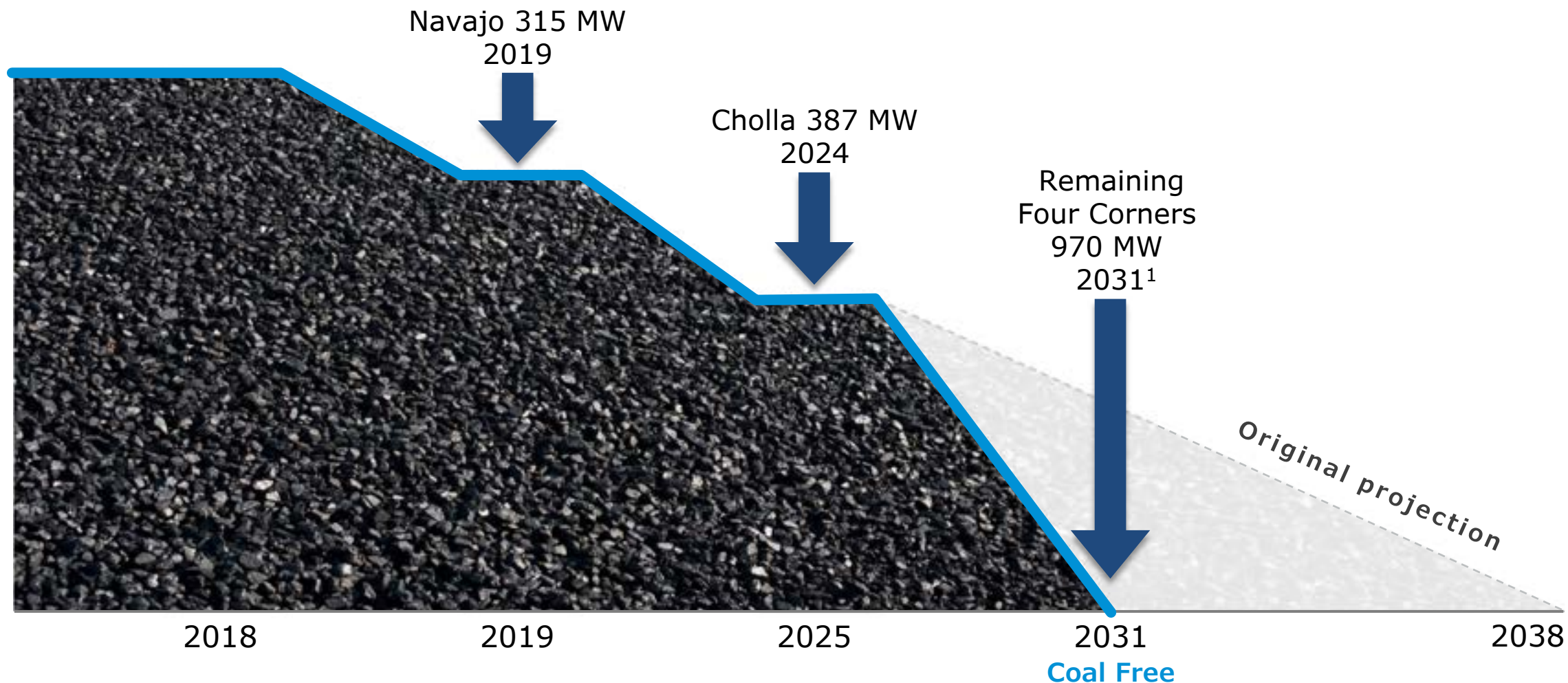
- ➡ Since 2020, have contracted over 2,100 MW of clean energy and storage to be in service for APS customers by end of 2025
- ➡ Issued All-Source RFP which seeks 1,000 – 1,500 MWs of resources, including up to 600 – 800 MWs of renewable resources to be in service from 2025 – 2027
- ➡ Charted course for healthy mix of APS-owned and third party-owned assets, to be continued through future planned RFPs



## Pathway

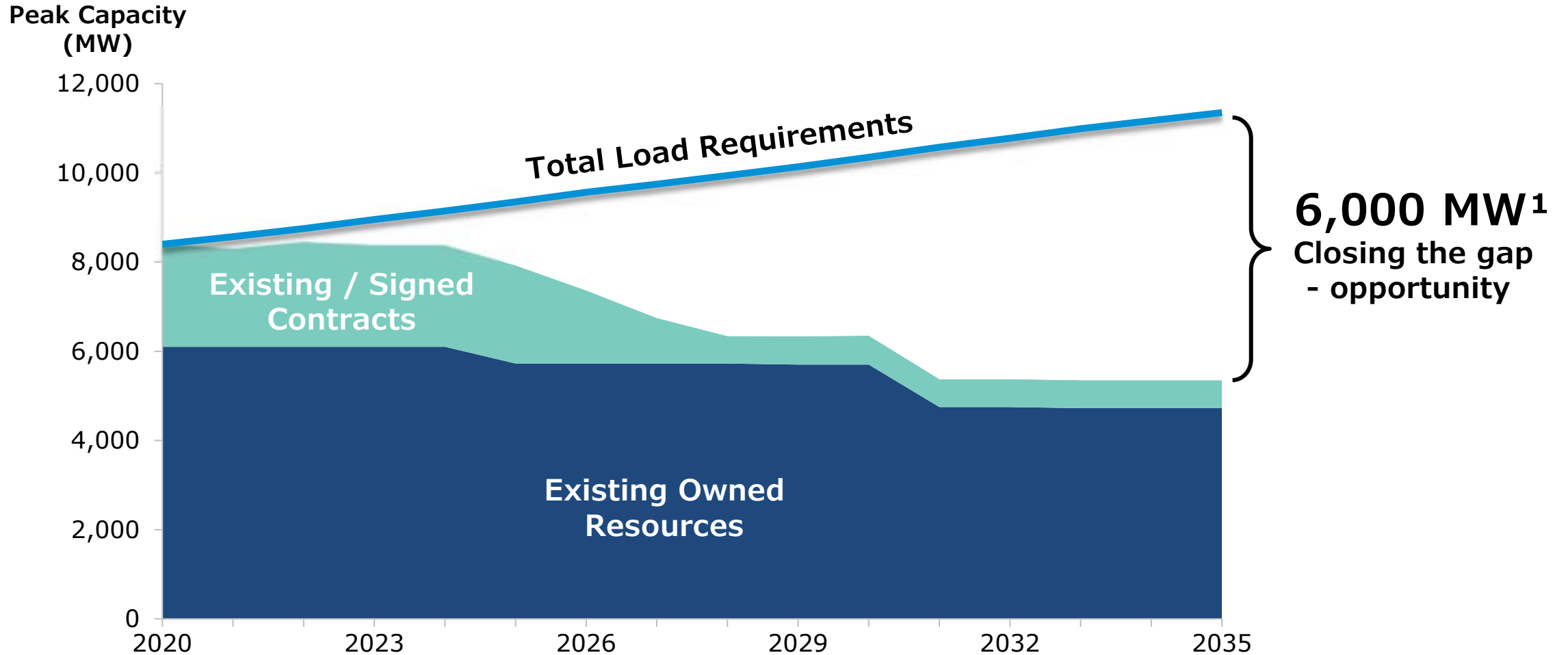


# Coal Exit Strategy – 7 Years Earlier than Originally Projected



<sup>1</sup>Four Corners will have the option to begin seasonal operation in Fall 2023 if deemed to be in the best interest of APS customers, and subject to the necessary approvals. Seasonal operation could reduce annual carbon emissions at Four Corners by an estimated 20-25%.

# Coal Exit and Expiring Purchase Contracts Will Create a 6,000 MW Supply-Demand Gap by 2035





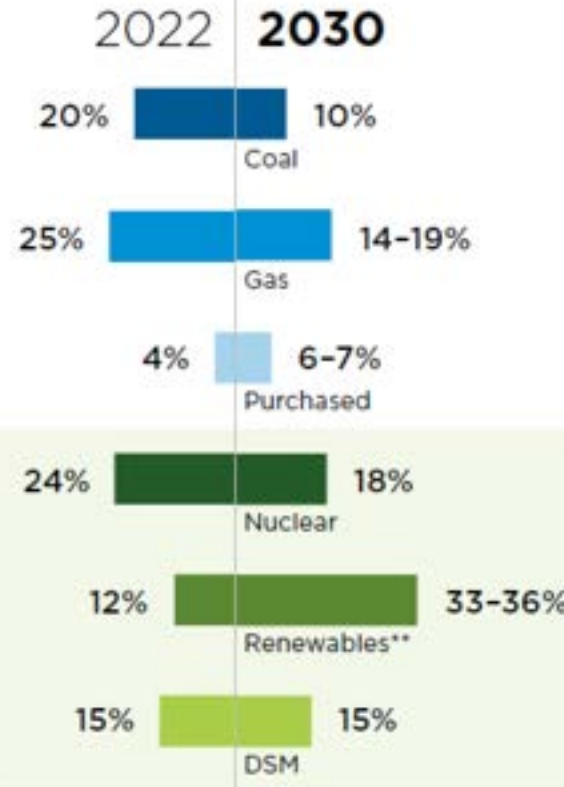
# Key New Energy Sources Keeping us Tracking to our Goals

## Initiatives

- Solar generation
- Wind generation
- Gas as a bridge fuel
- Demand-side management
- Energy storage solutions
- Innovation



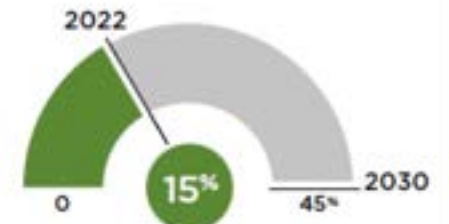
### Tracking our 2030 Clean\* Energy Target



\*Clean energy is energy derived from zero-carbon resources; this includes grid-scale and distributed renewables, demand side management savings, nuclear and purchases of renewable energy.

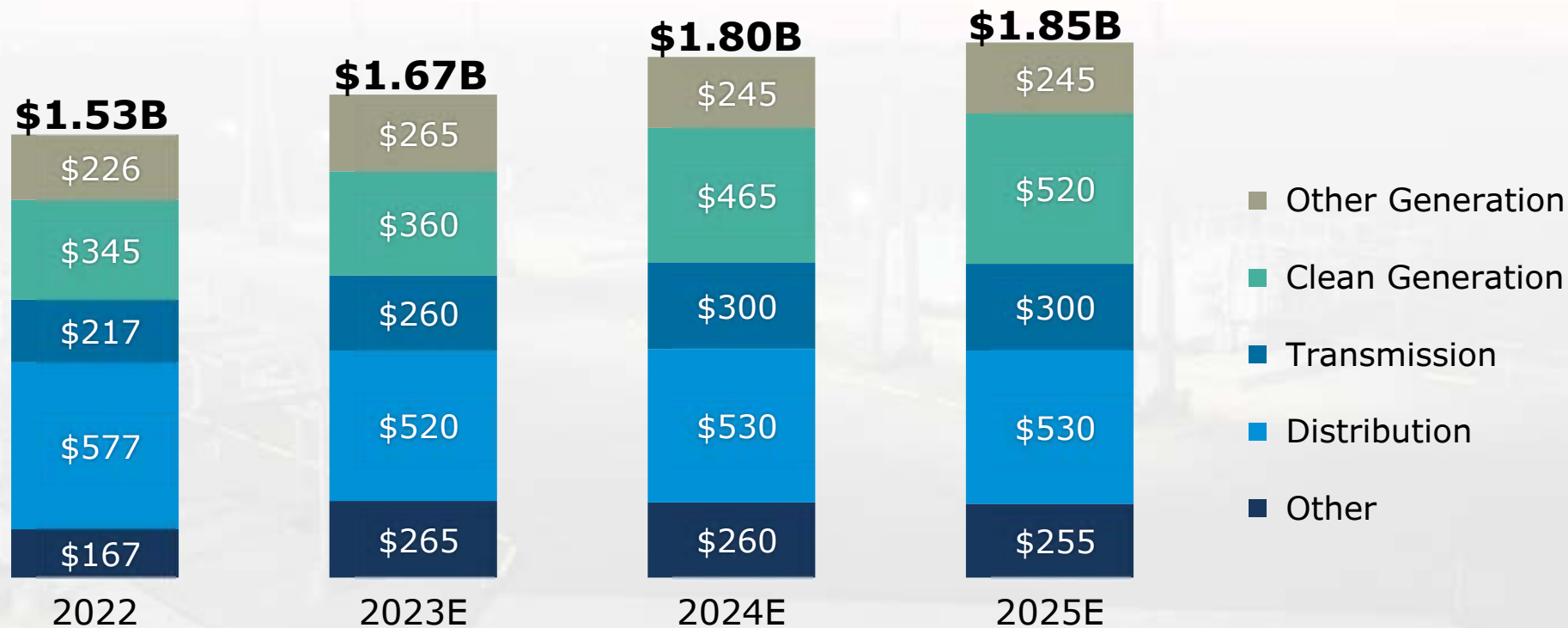
\*\*Renewables include energy from wind, solar, geothermal, biomass, distributed generations and solar purchase power agreements.

### Tracking our 2030 Renewable\* Energy Target



\*Renewable is measured in accordance with the ACC's Renewable Energy Standard as a percent of retail sales.

# Managed Capital Plan to Support Customer Growth, Reliability, and Clean Transition



APS Total 2023-2025 \$5.32B

2023-2025 as disclosed in the 2022 Form 10-K.

# Navigating Short-Term Challenges. Longer-Term, A Powerful Growth Story

**1**

**ESG leadership**

**2**

**Shift to clean**

**3**

**Substantive social  
impact**

**4**

**Strong governance**

**5**

**Voting items**





# Helping our Communities Thrive Creates Lasting Benefits for our Company

**\$14.7  
Million**



We **donated** more than **\$14.7 million**

**Community-  
Minded  
Employees**



Employees pledged **\$2.1 million** to United Way and spent an estimated **83,000 hours volunteering**

**Earn to Learn**



Awarded **238 new scholarships** to low to moderate income students in Phoenix and rural areas

**Customer  
Assistance**



Provided rent and utility assistance to over **150 households** in partnership with St. Vincent de Paul

**Heat Relief  
Strategy**



Partnered with local nonprofits to **expand assistance to vulnerable individuals** during Arizona's hot summer months

**Arizona  
Teachers  
K-12**



**1500 Arizona K-12 teachers** received **\$500** each to purchase classroom supplies for a total of **\$750,000**

# Customer Driven Initiatives Underway – A Few Examples

## Take Charge AZ



- Pilot program to encourage electric vehicle adoption by installing charging stations
- Installed nearly 275 L2 and 20 DCFC plugs in 2022

## Customer Advisory Board



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

## Energy Management



- Demand response programs reward customers who shift energy use to low-cost times
  - smart thermostats
  - residential battery systems
  - connected water heaters

# Supporting our People to Strengthen our Company

- ✓ Virtually hosted **54 summer interns** with a diversity rate of **63%** in 2022
- ✓ **Robust employee engagement**, including **10 Employee Network Groups**
- ✓ Average **employee tenure of approx. 13 years in 2022** due to strong talent strategy
- ✓ Total **turnover for 2022 was 11%** (3.6% of which were related to retirements)
- ✓ **Annual** and focused **quarterly pulse surveys** allow us to gather employee feedback, identify opportunities for improvement and compare our performance to other companies



# Enhanced Diversity, Equity and Inclusion Unites Our Team

## Employee Diversity in 2022



- **35%** are ethnically or racially diverse
- **26%** are female
- **15%** are veterans

## New Hires in 2022



- **44%** were ethnically or racially diverse
- **40%** were female
- **7%** were veterans

## Officers In 2022



- **39%** of all officers are female
- **18%** of all officers are ethnically or racially diverse

## DEI Strategy

In 2021, we launched our **DEI Strategy**. Key activities in 2022:

- Bringing **inclusive leadership education** to business unit leadership teams
- Launching **DEI self paced module** for all employees
- Conducting **cultural competence assessments**

# Navigating Short-Term Challenges. Longer-Term, A Powerful Growth Story

**1**

**ESG leadership**

**2**

**Shift to clean**

**3**

**Substantive social  
impact**

**4**

**Strong governance**

**5**

**Voting items**



# Robust Shareholder Rights Reflect Investor Feedback

- ✓ **Threshold to call a special meeting of shareholders set at 15%**
- ✓ **Annual elections** of all directors with cumulative voting
- ✓ **No poison pill plan** or similar anti-takeover provision in place
- ✓ **No supermajority provisions** in our Articles of Incorporation or Bylaws
- ✓ **Proxy access rights** allowing up to 20 shareholders owning 3% of our outstanding stock for at least 3 years to nominate up to 25% of the Board



# Our Strong Governance Enables Successful Execution

## Board Independence



- Eleven of our twelve directors are **independent**
- **Robust Board refreshment**, with director retirement policy

## Board Oversight



- 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

- **45%** of independent directors **gender or ethnically diverse**
- Diversity in skills, knowledge and expertise
- As of May 2023, **average tenure is 8.3** years



# Executive Compensation Linked to Shareholder Priorities

- ✓ Substantial proportion of target compensation **is at risk**
- ✓ **Earnings per share performance** and **clean megawatts installed** metrics added to 2022 Performance Share grants replacing relative operational metrics
- ✓ **Anti-hedging** and **anti-pledging policies**
- ✓ **Stock ownership guidelines** for all Named Executive Officers
- ✓ **Clawback policy** for executive officers





# Navigating Short-Term Challenges. Longer-Term, A Powerful Growth Story

**1**

**ESG leadership**

**2**

**Shift to clean**

**3**

**Substantive social  
impact**

**4**

**Strong governance**

**5**

**Voting items**





# Voting Items and Board Recommendations

- 1** To elect eleven directors to serve until the 2024 Annual Meeting of Shareholders.  
– **FOR each director nominee**
- 2** To hold an advisory vote to approve executive compensation.  
– **FOR**
- 3** To hold an advisory vote on the frequency of our shareholders advisory votes on executive compensation.  
– **1 Year**
- 4** To approve the first amendment to the 2021 Long-Term Incentive Plan.  
– **FOR**
- 5** To ratify the appointment of our independent accountant for the year ending December 31, 2023.  
– **FOR**
- 6** To act upon a shareholder proposal requesting adoption of a policy separating the chairman and CEO roles and requiring an independent Board Chairman whenever possible, if properly presented at the 2023 Annual Meeting of Shareholders.  
– **AGAINST**