Sustainability Resource: Risk Management

NextEra Energy (the "company") is committed to safeguarding power networks and information from intrusions that could cause harm to the company's customers or operations.

NextEra Energy's enterprise risk management team provides oversight and support for the company's risk management activities and supports the corporate risk committee. The committee consists of officers and key personnel from across NextEra Energy's businesses. The committee meets four times per year and discusses risks and related mitigation activities and performs reviews of risk management activities, as appropriate. Top risks are assessed qualitatively and quantitatively based on impact and likelihood and presented to the executive risk committee ("ERC"), which is comprised of the chairman and chief executive officer, chief financial officer, chief risk officer ("CRO") and chief legal officer. The ERC reviews and provides feedback on the results of the committee's work. The risk assessment activities and results are reported to the audit committee of the board of directors.

The ERC team has established relationships within the risk community and continuously works to ensure NextEra Energy's risk program stays current and relevant. The company engages in enterprise risk management roundtables with companies within and outside the utility industry.

NextEra Energy also has an exposure management committee ("EMC"), which has policy oversight of the risk profiles of the company's energy marketing and trading activities. The committee's primary purpose is to review and approve NextEra Energy's trading risk management frameworks and policies, approve transactions and new activities within EMC delegation of authority, and ensure effective risk identification, assessment, monitoring and mitigation strategies for the covered entities.

The committee aims to align the company's risk management practices with industry best practices. The committee meets monthly and is chaired by the CRO. The exposure management committee reviews market, credit and operational issues associated with energy trading and is reported on at least annually to the finance and investment committee of the board of directors.

NextEra Energy's investment decisions are rooted in realistic assumptions with appropriate sensitivity analyses, as needed, to ensure a data-driven decision-making process. The process is intended to ensure that significant risks have been identified, dispositioned and mitigated reasonably.

Significant investment decisions are reviewed and approved by the company's operating committee, which is comprised of all senior executives and other executives from the various functional departments within each of the company's businesses. Depending on the nature and amount of the investment, additional authorizations, up to and including approval by the NextEra Energy board of director's finance and investment committee and the full NextEra Energy board itself, may be required.

NextEra Energy owns Florida Power & Light Company ("FPL"), America's largest electric utility, and NextEra Energy Resources, LLC ("NextEra Energy Resources"), one of the largest energy infrastructure development companies in the U.S. Investments in NextEra Energy's regulated utilities are guided through a well-established integrated resource planning process to determine the amount and timing of future generation and transmission needed to meet projected growth in energy load and demand. Many factors are incorporated into this planning process. Different options are evaluated, considering system economics, forecasted electric power demand, demand-side management, fuel prices, potential future environmental policies and the integration of cost-effective generation. The capital allocation process at Florida Power & Light Company ("FPL") is centered on enhancing the overall customer value proposition to deliver long-term customer benefits.

Review of NextEra Energy Resources' investment decisions begins with thorough due diligence by subject matter experts from nearly 20 key functional areas. These subject matter experts, who bring deep experience, help identify and assess the commercial, financial and operational feasibility and risk mitigation of new project investment opportunities. NextEra Energy also has processes in place to ensure the company continues to learn to improve future capital allocation decisions.

FPL and NextEra Energy Resources usually hold annual strategy sessions with business unit leadership across each organization to identify and review long-term goals, risks and opportunities. The results of these strategy sessions are reviewed with the board of directors to ensure key risks are identified and managed, and opportunities to enhance customer and shareholder value creation are pursued.

For the purposes of NextEra Energy's risk management process, the company does not view the dynamic environment as a discrete risk, but rather a potential stress multiplier to existing risks and opportunities already under consideration. For example, system disruption from a weather event is a long-standing risk that the company has integrated into the company's risk-assessment process, and potential projections for more frequent storms would be a multiplier for this risk category but not necessarily broken out as an incremental, separate effect. The company also recognizes that weather changes may affect parts of its business in different ways. NextEra Energy provides more details on the company's approach to managing environmental risks and the company's strategy in the environmental stewardship resource in the sustainability resources section of the Investor Relations website.

Storms, floods and other natural disasters

Physical risks are reviewed as part of NextEra Energy's enterprise risk management process, which includes a thorough examination of the risks, mitigants and company preparation for natural disasters, such as hurricanes, coastal flooding, sea level rise and increasingly severe storms. Changes in weather also can affect NextEra Energy Resources' facilities across the country. Examples in regions outside of Florida include wildfires, tornadoes, droughts, extreme temperatures, icing events and earthquakes. The company's expertise and history of managing such natural disasters, especially hurricanes in Florida, provides the company with the skills and capabilities to remain focused on safety, execution and the importance of providing an essential service to customers during these events.

FPL has improved reliability and resiliency through the deployment of innovative technology to help prevent outages and shorten restoration times when outages occur. Investments in the FPL system include hardening or undergrounding power lines, replacing wood transmission line structures with concrete or steel, managing vegetation around power lines and inspecting all power poles, installing more intelligent devices that prevent power outages and shorten restoration times and using drones equipped with artificial intelligence to gather geospatial data to spot faulty equipment and prevent outages.

FPL was an early adopter of smart grid devices. Smart grid technology makes the system more reliable, helps restore power faster and even prevents some outages. Providing better reliability contributes to the company's overall customer satisfaction. Over 200,000+ intelligent devices have been installed across FPL's energy grid.

FPL continues to make significant progress in hardening its system. FPL expanded the company's storm secure underground program, which has now undergrounded more than 3,500 neighborhood lines throughout Florida. By minimizing one of the leading causes of outages — trees and vegetation coming into contact with overhead power lines — this program is improving system resiliency during normal and severe weather.

FPL has determined that near-term risk to the company's operations and facilities resultant from sea-level rise and flooding is low. FPL's Florida nuclear facilities are elevated twenty feet above sea level to protect against flooding and extreme storm surge. FPL expects to continue to make additional resiliency and reliability investments over the coming decades to mitigate potential impacts to its system.

Mitigation actions taken to date include:

» Installing pumps, flood control structures, monitoring sensors and raised equipment in high-risk flood zones.

» Designing substation yards to meet the Federal Emergency Management Agency's 100-year flood elevations.

» Deploying mobile substations and transformers, along with other equipment, that can be used to respond to flood or storm events.

» Hardening underground structures and using above ground equipment in high-risk flood zones.

» Deploying innovative technology at locations more susceptible to storm surge.

NextEra Energy's experience and history of preparing and responding to hurricanes and other natural disasters in Florida provides the company with the skills and capabilities to remain focused on safety, execution and the importance of providing an essential service to customers during extreme weather events. The company's storm-hardening investments continue to create value for customers. In 2024, FPL responded to Hurricanes Debby, Helene and Milton, which collectively affected approximately 3 million customers. Due to FPL's transmission investments, the company had no significant transmission issues during these storms, and the company's smart grid technology avoided more than 800,000 outages.

Emergency preparedness

Preparedness and crisis management are essential operational components for NextEra Energy. The company monitors and prepares for the unexpected, which involves putting teams in place to regularly test systems, operations and people. NextEra Energy is ready to respond to all types of emergencies — whether it is a storm, cyber event, capacity shortfall or a global pandemic through the execution of its drills throughout the year.

This commitment to preparing for the unexpected and building NextEra Energy's plans based on lessons learned helps the company to safely and quickly respond to emergencies to lessen the potential effect to customers and the company — both in the short term and long term.

Nuclear safety

NextEra Energy's nuclear fleet is a critical part of America's generation mix. With a focus on safety, innovation, cost reduction and a commitment to excellence, it is one of the most cost-effective, high-performing fleets in the industry. NextEra prioritizes nuclear safety and has implemented comprehensive safety measures throughout its nuclear fleet.

The U.S. Nuclear Regulatory Commission maintains and tracks a set of performance indicators as objective measures of nuclear safety performance for commercial U.S. nuclear plants. These indicators monitor the performance of initiating events, safety systems, fission product barrier integrity, emergency preparedness, occupational and public radiation safety, and physical security. NextEra Energy's nuclear plants are designed to withstand physical attacks, as well as earthquakes, hurricanes and other natural events stronger than ever recorded in their respective regions.

In collaboration with the nuclear industry, NextEra Energy created regional response centers that house vital equipment, located away from nuclear sites, that can be brought into any of the nuclear plants in response to a natural disaster at a site. The company has made significant upgrades to nuclear facilities, including:

» Installed high-capacity pumps to provide additional backup cooling water for safety systems.

» Pre-staged additional backup equipment, such as diesel generators, on-site and located several additional feet above sea level.

» Confirmed the ability of the company's plants to withstand extreme natural events, such as earthquakes, flooding and hurricanes.

NextEra Energy's highly trained plant operators are empowered to safely shut down the plant in a controlled and deliberate process, if necessary. In addition, the company requires one full week of training every six weeks for plant operators to prove their ability to safely operate the plant in a variety of worst-case scenarios that include earthquakes, severe storms, flooding, loss of power and loss of reactor core cooling.

Cybersecurity

NextEra Energy's cybersecurity strategy encompasses the implementation of a comprehensive monitoring program for computers, systems, applications, and data networks. Additionally, it involves rigorous testing of the company's cyber incident response and recovery processes, while actively promoting a culture that prioritizes cybersecurity. This approach also includes educating employees on the importance of maintaining good cyber habits, both in the workplace and at home.

NextEra Energy hosts an annual cybersecurity drill with participation from federal agencies and members of the board of directors to test the readiness of the organization to respond to a cyber incident. FPL also participates with other electric utilities across the country in the North American Electric Reliability Corporation's biennial GridEx exercise and in industry forums, such as the Department of Energy's Cyber Risk Information Sharing Program and various organizations within the Electricity Subsector Coordinating Council, including the Cyber Mutual Assistance Program. These drills, exercises and programs promote the company's continuous learning and ability to capture key lessons learned to help further safeguard NextEra Energy's computer systems.

NextEra Energy's employees complete an annual cybersecurity and data privacy training course focused on building techniques for maintaining cyber awareness. NextEra Energy also continuously trains employees and contingent workers in security awareness with regular phishing awareness testing.

In addition, various leading third parties assess the company's alignment with the U.S. Department of Energy's Cyber Capability Maturity Model standard, which is the predominant cybersecurity framework for the U.S. electric utility industry.

When it comes to cybersecurity, all employees and business leads are personally accountable for identifying and protecting systems and information. NextEra Energy's audit committee receives regular reports on identified key cyber risks from a representative of the corporate risk committee. The committee also receives frequent reports from the company's internal auditor about the results of regular cybersecurity reviews and information security governance. NextEra Energy's board of directors receives an annual cybersecurity report from NextEra Energy's chief information officer and chief information security officer.