S&P Global
Ratings

Environmental, Social, And Governance Evaluation

NextEra Energy Inc.

PRIMARY ANALYST

Corinne Bendersky
New York
+44-7816-149424
corinne.bendersky
@spglobal.com

SECONDARY ANALYST

Gabe Grosberg
New York
+1-212-438-6043
gabe.grosberg
@spglobal.com

RESEARCH CONTRIBUTOR

Kathleen Fisher
Colorado
+1-303-721-4288
kathleen.fisher
@spglobal.com

Summary

NextEra Energy Inc. (NEE) is a large, diversified energy holding company headquartered in Juno Beach, Fla. that generates, transmits, distributes, and sells power to retail and wholesale customers in North America. In 2021, the company generated $17 billion of revenue and about $10 billion of S&P Global Ratings-adjusted EBITDA. NEE operates as a regulated utility (about 70% EBITDA) and engages in competitive generation (about 20%), proprietary trading (about 5%), and natural gas exploration and production (about 5%). Through its regulated utility subsidiary Florida Power & Light (FPL; which subsumed Gulf Power Co. as of 2022 following their 2021 merger), the company provides electric services to more than 12 million people throughout most of Florida. NextEra Energy Resources (NEER), its competitive generation business, develops, constructs, and operates long-term contracted assets with an emphasis on renewables, electric transmission, and battery storage across North America.

NEE's ESG Evaluation score of 86 reflects its best-in-class preparedness, which stems from its leadership in the clean energy transition and innovation-oriented culture. The company successfully transitioned to a new CEO, John Ketchum, in 2022 and we expect it will continue to adhere to its ambitious vision of expanding its leadership in clean technology. NEE has established an ambitious decarbonization target that it intends to achieve by 2045 and has been more proactive than its peers in decarbonizing its fleet and expanding renewables across the U.S. The company has a modest reliance on nuclear assets, though its nuclear waste management adheres to strict requirements and its advanced waste management practices support its outperformance on recycling and air pollution metrics. NEE's use of technology differentiates its safety performance. In addition, its leading customer engagement is supported by its highly affordable rates, above-average reliability levels, and investments in improving the resilience of Florida's electrical grid against hurricanes.

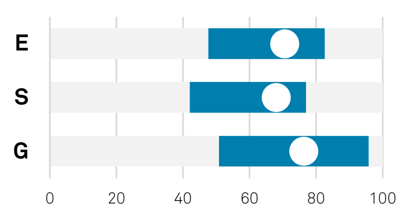
ESG Profile Components (figures subject to rounding)

Entity-specific assessment			Sector/region analysis			
E (30%)	38	+	E (30%)	33	=	E
S (30%)	41	+	S (30%)	27	=	S
G (40%)	46	+	G (40%)	31	=	G

Entity within its primary sector/region

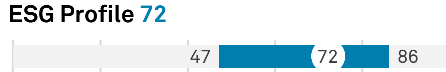
Entity's sectors/ regions versus all sectors/ regions

Achieved and attainable scores



Min and max scores possible given sectors/regions. The gray line represents performance in line with industry standards.

ESG Profile 72



Preparedness +14

Low	Emerging	Adequate	Strong	**Best in class**

ESG Evaluation

86

A higher score indicates better sustainability. Figures subject to rounding.

Component Scores

Environmental Profile		Social Profile		Governance Profile	
Sector/Region Score	**33/50**	**Sector/Region Score**	**27/50**	**Sector/Region Score**	**31/35**
Greenhouse gas emissions	**Strong**	Workforce and diversity	**Good**	Structure and oversight	**Good**
Waste and pollution	**Strong**	Safety management	**Strong**	Code and values	**Strong**
Water use	**Strong**	Customer engagement	**Leading**	Transparency and reporting	**Strong**
Land use and biodiversity	**Strong**	Communities	**Strong**	Financial and operational risks	**Neutral**
General factors (optional)	**-2**	General factors (optional)	**0**	General factors (optional)	**None**
Entity-Specific Score	**38/50**	**Entity-Specific Score**	**41/50**	**Entity-Specific Score**	**46/65**
E-Profile (30%)	**71/100**	**S-Profile (30%)**	**68/100**	**G-Profile (40%)**	**76/100**

ESG Profile (including any adjustments) **72/100**

Preparedness Summary

NEE's best-in-class preparedness reflects its leadership in the U.S. clean energy transition, its technology and analytics-focused innovation ecosystem, and its track record of achieving ambitious climate-oriented strategic objectives. Under the leadership of its new CEO, we expect NEE will continue to expand its dominant role in the energy transition and support the decarbonization of the U.S. across its own operations, the U.S. power sector, and other sectors of the economy. In our view, the company's technology- and data-focused innovation ecosystem and execution-oriented culture, as well as the momentum behind efforts to decarbonize the U.S. following the passage of the Inflation Reduction Act, will accelerate its achievement of this goal.

Capabilities	
Awareness	**Excellent**
Assessment	**Good**
Action plan	**Excellent**
Embeddedness	
Culture	**Excellent**
Decision-making	**Excellent**

Preparedness Opinion (Scoring Impact) **Best in class (+14)**

ESG Evaluation **86**

Note: Figures are subject to rounding.

Environmental Profile

71/100

Sector/Region Score (33/50)

NEE operates primarily in the U.S. electric grid (which we estimate accounts for about 60% of its EBITDA) and power generation (about 40%) sectors. We believe the ongoing energy transition, which involves upgrading power generation assets and the electrical grid to better accommodate clean energy and ensure asset resilience against climatic events, is the most material environmental risk facing the sector. Fossil fuel plants are a major source of GHGs and air and water pollutants, while nuclear plants generate hazardous waste. Renewables and grid infrastructure development require large areas of land, which often intersect with biodiversity.

Entity-Specific Score (38/50)

Note: Figures are subject to rounding.

Greenhouse gas emissions	Waste and pollution	Water use	Land use and biodiversity	General factors
Strong	**Strong**	**Strong**	**Strong**	**-2**

NEE's climate actions are more expansive than those of its peers. Through its Real Zero goal, it targets zero Scope 1 and 2 emissions without the use of offsets. The plan also includes near-term targets and a technology blueprint. In our view, this plan both entails more rapid emissions reduction and is more detailed than its peers', although it excludes reductions in Scope 3 emissions and its targets are not science-based. We expect NEE's GHG intensity will continue to outperform its peers' because 52% of its generation is carbon free and it is rapidly expanding its renewable capacity. Substation upgrades and the undergrounding of its lines will also help limit its grid-related emissions. Moreover, through NEER, it is the leading U.S. renewables and battery storage developer (about 25 GW currently; 28 GW-37 GW under development).

NEE's pollution and waste performance exceed its peers and we believe it effectively manages its nuclear waste. The company's above-average recycling metrics are supported by its advanced upcycling programs and focus on the continuous improvement of its waste management. Additionally, NEE's air emissions are below industry average due to its coal plant closures and plant improvements. The company's modest nuclear fleet exposes it to nuclear waste risk, though it follows strict protocols and has not experienced a material waste-related incident.

NEE's advanced biodiversity protection strategies help mitigate the effects of its renewable development. Biodiversity risks are especially heightened in Florida and California, where the company has a large presence. NEE's use of software to optimize its siting, its prioritization of degraded land for renewable development, and its employment of advanced technologies to track and mitigate impacts on threatened species reflect its more-sophisticated biodiversity protection strategies than those of its peers. However, the company's exposure to avian mortality is heightened due to its large wind portfolio and expansion plans. In 2022, it paid $8 million in a plea deal related to the incidental killing of endangered eagles at several of its wind farms and committed $27 million toward mitigation efforts. We anticipate the company's mitigating actions, including working with U.S. Fish & Wildlife Service, will reduce but not eliminate this risk entirely.

NEE has relatively low exposure to water scarcity risks. Its thermal assets are largely in Florida, which faces low water scarcity, and nearly 74% of water withdrawals are from seawater sources.

NEE faces long-term sea level rise exposure at its Turkey Point nuclear plant on Florida's coast, which we expect will operate through 2053, although it has invested in flood defenses.

Social Profile

68/100

Sector/Region Score (27/50)

Maintaining a reliable, affordable, and accessible supply of power for customers is the most material social driver for the sector. Safety risks are generally well managed, though high-impact events can be detrimental. Strikes by largely unionized workforces, aging talent, low gender diversity, and skills shortages related to the energy transition also pose risks. The development of renewables and grid expansions can also prompt community opposition. We adjust the score for social standards risks in the U.S.

Entity-Specific Score (41/50)

Note: Figures are subject to rounding.

Workforce and diversity	Safety management	Customer engagement	Communities	General factors
Good	**Strong**	**Leading**	**Strong**	**0**

NEE has leading customer-engagement practices supported by its low customer bills, high grid reliability, and smart technology solutions. FPL's average customer bill is 28% lower than its competitors' and its grid reliability exceeds the U.S. average, which supports its high customer satisfaction. NEE is also more advanced in its use of smart grid technology, which supports more responsive and effective customer engagement while ensuring high levels of data privacy. In our view, the undergrounding of its lines, its investments in storm hardening, and its shift to steel or concrete poles are more advanced than the actions taken by its peers and will support greater resilience to extreme weather events, which are a significant risk in Florida. Its use of drones and image recognition software to spot faulty equipment and prevent service interruptions, as well as its grid's self-healing capabilities, are also more advanced than those of its peers.

NEE's safety metrics are better than those of its global peers and its use of technology solutions facilitates incremental improvements in its safety performance. This is supported by the company's effective safety management training and implementation framework and the safety goals embedded in its performance objectives. Its recorded incidence rate has improved and is better than the U.S. industry average. Moreover, its renewable investments will likely reduce its operating exposure to safety risks. While nuclear plants present added safety risks, this is mitigated by its substantial investments in plant upgrades and efforts to revalidate its safety systems, procedures, and emergency training.

The company's workforce development is extensive, though its gender diversity metrics are average. NEE's training builds key skills for the energy transition and involves above-average training hours (67 hours/year), which supports its very low turnover (15% lower than the U.S. average). However, it has a largely male-dominated workforce, which is common across the broader utility industry. While the company emphasizes improving its diversity through active recruitment, we anticipate these metrics will remain close to those of its peers in the near term.

NEE has taken a proactive and effective approach to community engagement. Renewable and gas pipeline development entails community opposition risks, though we view the company's approach to managing community concerns as more sophisticated than those of its peers. For example, its engagement with local tribes is illustrative of its commitment to build relationships. It also leverages its scale to support local suppliers ($750 million), including woman-, minority-, and veteran-owned businesses, that have cascading community benefits.

Governance Profile

76/100

Sector/Region Score (31/35)

We base the governance profile region score on NEE's headquarters in the U.S., which we believe has relatively high governance standards characterized by a stable political system, strong rule of law, and respect for human rights.

Entity-Specific Score (46/65)

Note: Figures are subject to rounding.

Structure and oversight	Code and values	Transparency and reporting	Financial and operational risks	General factors
Good	**Strong**	**Strong**	**Neutral**	**None**

NEE's governance structure is aligned with U.S. standards and it has established a track record of operating effectively. The company completed a planned leadership transition in 2022 following the appointment of John Ketchum as its new CEO, who took over from long-time CEO Jim Robo. NEE executed the succession process smoothly; however, we do not consider the continued combination of its CEO and chairman roles as a best practice because it limits the potential for independent challenges. Moreover, 12 of the 13 board members are non-executives but six have long tenures (of greater than 10 years), which could affect their independence, in our view. The board has separate Audit, Compensation, Governance and Nominating, and Nuclear committees, which we view as best practice. All these committees are chaired by independent members, although two of the chairs have tenures of greater than 10 years. The board is somewhat less diverse in terms of gender (15%) than those of its peers, though it is somewhat more racially diverse (15%) and its members all have relevant expertise. The board is also highly engaged (94% attendance) and has effectively overseen NEE's growth strategy and strong historical operating results. We expect the board's independence and diversity will improve in subsequent years as it refreshes its board positions and establishes a new lead independent director.

NEE's code and values framework is effective and rooted in integrity and ethical behavior. The company clearly articulates its values, which are focused on excellence, integrity, and respect for people, and its strategy emphasizes these values through its provision of clean and affordable energy. NEE has a well-established code of conduct that it applies across its operations and supply chain and reinforces through systematic training, self-evaluations, and stakeholder engagement. This has led it to be recognized as one of the most ethical companies globally. Its CEO's compensation is mostly variable (91%), including 76% share-based (of which 19% is linked to sustainability targets such as service reliability, safety, and renewable generation), and it pays 15% as an annual incentive (linked to financial and operational targets). This pay structure aligns with NEE's clean and affordable energy strategy and goes beyond targeting short-term shareholder value, although financial targets are an important determinant of its CEO's compensation. In addition, the total compensation for its CEO is 176x its median employee pay, which is well above the global industry median.

NEE has comprehensive financial and sustainability disclosures. This includes a sustainability report that follows internationally recognized frameworks, which ensure the effective disclosure of material sustainability issues. NEE's emissions reporting has improved, though it does not break down some metrics by business unit. Nonetheless, the company provides detailed information on its governance practices and the backgrounds of its board members.

Preparedness Opinion

Best in class (+14)

Preparedness	Low	Emerging	Adequate	Strong	Best in class

NEE's best in class preparedness reflects its leadership in the U.S. clean energy transition, its technology- and analytics-focused innovation ecosystem, and its track record of establishing and achieving ambitious sustainability-oriented strategic objectives. Under the leadership of its new CEO, we expect the company will continue to expand its dominant role in the energy transition by supporting decarbonization across its own operations, the U.S. power sector, and other sectors of the economy. In our view, NEE's robust approach to innovation and execution-oriented culture, as well as the momentum behind efforts to decarbonize the U.S. following the passage of the Inflation Reduction Act, will accelerate its achievement of this goal.

NEE remains focused on being the largest, most profitable clean energy provider in the world, which is a strategic aim that continues under its new CEO John Ketchum. In 2022, the company reinforced its clean energy aspirations with its Real Zero goal, which it has supported with a technology-based action plan. We view this strategic focus, which merges the expansion of clean energy production with a strong emphasis on customer affordability, as deeply rooted in sustainability and believe it will likely facilitate a smoother energy transition across the U.S.

Under Ketchum's leadership, we expect the company will continue to build on its internal cultural dynamics and successful technological edge to lead the U.S. clean energy transition. In our view, the new CEO's focus on collaboration across units and leveraging NEE's immense data and analytic capabilities will enable management and the board to continue to anticipate trends and discover new growth opportunities. This emphasis on analytics, built upon NEE's large renewable energy portfolio, will offer new insights that provide it with a competitive edge in achieving its decarbonization objectives. NEE is primed to capitalize on the clean energy and battery storage incentives underpinning the Inflation Reduction Act by employing its scale and proven expertise to remain at the forefront of U.S. decarbonization efforts. The board recognizes the risks associated with transmission infrastructure, as well as those stemming from disruptive technologies and supply chain bottlenecks, as key areas to monitor and mitigate.

NEE's innovation ecosystem, focused on technology, data analytics, and continuous improvement, enables it to remain at the cutting edge of its industry. Its "toe in the water" investments, collaborations with external partners, and support for bottom-up innovations across all areas of its operations provides it with a high level of visibility into next-generation technologies and opportunities to expand and optimize its business. From its investments in drone technology to improve the operational maintenance of its transmission corridors to its development of data and analytics platforms relying on its renewable development expertise, NEE has continued to demonstrate an innovation-oriented culture that focuses on providing it with cost savings and growth opportunities.

NEE has cultivated a culture of excellence and execution, which serves as a powerful enabler of its strategy. Through the clear direction established by its leadership, the company's employees are empowered to test out new ideas, cross-train in new areas, and are expected to deliver on their commitments. These factors support its ability to remain innovative and achieve its larger strategic vision while staying nimble amid a disruptive landscape. NEE's board and leadership place a premium on acquiring high-quality talent and are keenly focused on ensuring a robust talent pipeline by leveraging its leadership in the clean energy transition as a recruitment tool.

Climate-Related Financial Disclosure

TCFD Recommendations Alignment Assessment:	Not adopted	**Partially adopted**	Adopted

We assessed to what extent NEE has adopted the Financial Stability Board's Taskforce on Climate-related Financial Disclosures' (TCFD) recommendations. We do not opine on the quality of the entity's disclosures or climate change scenario assumptions, if any, but rather comment on the number of disclosures made based on the TCFD's suggested disclosure list.

Based on the entity's publicly available information, in our opinion, NextEra Energy Inc. has Partially adopted the TCFD's recommended disclosures.

The company provides an overview of its board's processes for overseeing climate-related topics and describes management's role in assessing and managing climate-related issues. Through its Real Zero target and blueprint, NEE has established a climate-focused strategy for its operations. Its ESG reporting references its planning processes and defines short-, medium-, and long-term time horizons, though it does not detail the climate-related risks and opportunities according to these time horizons or their impacts on its strategy and financial planning. The company describes how it uses scenario analyses to understand U.S. decarbonization but does not disclose details on how it applies the scenarios to explore the potential impacts and resilience of its strategy. NEE also describes how it integrates climate concerns into its risk management processes but does not specifically detail its processes for prioritizing and managing the related risks. The company's reporting includes Scope 1, 2, and 3 emissions metrics, as well as clear targets, though it doesn't clearly disclose the metrics for its historical periods to support trend analysis. Finally, NEE's details its executive remuneration structure, including how it is linked to its renewable production goals.

Governance	Strategy	Risk management	Metrics and targets
Description of the board's oversight of climate-related risks and opportunities.	Description of the climate-related risks and opportunities identified over the short, medium, and long term.	Description of the organization's processes for identifying and assessing climate-related risks.	Disclosure of the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
Partially adopted	**Partially adopted**	**Partially adopted**	**Partially adopted**
Description of management's role in assessing and managing climate-related risks and opportunities.	Description of the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Description of the organization's processes for managing climate-related risks.	Disclosure of scope 1, 2 and, if appropriate, 3 GHG emissions, and the related risks.
Adopted	**Partially adopted**	**Not adopted**	**Partially adopted**
	Description of the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Description of how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Description the targets used by the organization to manage climate-related risks and opportunities and performance against targets.
	Not adopted	**Partially adopted**	**Adopted**

Sector And Region Risk

Primary sector(s)	Utility Networks
Primary operating region(s)	United States

Sector Risk Summary

Environmental exposure

The services sector includes consumer services (including for profit and not for profit education providers), as well as distribution, environmental, facilities, professional, and general support services. Companies typically have little to no manufacturing or industrial operations and are not resource intensive. Environmental risk in the business services subsector is low given companies' overall minimal exposure to the effects of energy consumption and GHG emissions, waste and water management, air and land pollution, and toxicity. Fuel consumption and associated costs can be more material for distribution or facility services companies, although high route densities often mitigate this. Climate change is a minor risk for companies sensitive to food input costs, energy and fuel costs, or weather patterns. The education subsector entails similarly minor environmental effects and its exposure is generally limited to energy consumption and localized severe weather changes or natural disasters that affect educational facilities. Sustainability and energy-efficiency upgrades to buildings continue to decrease the subsector's energy and emissions footprint.

Social exposure

The services sector faces modest inherent social risks, though the heterogeneity of business models and end markets can result in considerable variation in the social risk factors faced by individual firms at the margins. Companies may be labor-intensive, with employees operating potentially hazardous equipment or on dangerous sites, which heightens safety management risks. Others may operate in the knowledge economy with primarily desk-based personnel, resulting in minimal safety risks. That said, they may manage confidential data and be exposed to consumer behavior and demographic shifts, which present customer, engagement, and community risks. Very few providers have heightened risks across multiple social factors and the sector's fragmentation will likely lead to less severe manifestations than in more consolidated industries. Human capital and safety management and consumer behaviors are the most common social risks faced by sector participants. While workforce mismanagement can disrupt operations, work stoppages or shortages occur less frequently than in many other sectors because union employment is uncommon among service companies, interruptions are not as costly, and employees are often easily replaced. Safety management, another risk for labor-intensive operators, is particularly critical for security providers whose staff are subject to dangerous working conditions, though these companies have protocols to minimize the frequency and severity of most high-risk events. Shifting consumer preferences can present both opportunities and risks--for example, the transition to e-commerce has disrupted companies serving brick-and-mortar retailers but has also created opportunities for virtual service providers. Other companies must deal with the increasing influence of millennial consumers and the declining influence of baby boomers on services relating to lifestyle. Breaches of data protection and cybersecurity are becoming increasingly pervasive and damaging. As the frequency and severity of these incidents increases, companies will need to invest in technology to stay ahead of sophisticated hackers. The effect of pandemics on business services is moderate, with considerable variation across service lines and business models. For example, labor intensive on-site services, such as catering and staffing, are a lot more susceptible to outages caused by quarantine measures than consulting, legal, or insurance services, much of which can be provided remotely. Pandemic effects can also vary markedly across end markets, even among companies with similar business models. The education sector shares some similarities with business services, such as its exposure to human capital management. However, education services companies are more exposed to workforce interruptions than business services firms, given their skilled labor base and the propensity for interruptions to cause more damage to their operations amid stoppages, especially where employees are heavily unionized. Also, factors such as demographic changes, the social debate around the affordability of higher education, and the potential impact of policy changes and geopolitical issues play a large role in shaping the overall risk profile of the education sector globally. However, we believe the education sector provides opportunities and supports social cohesion and view this essential service as ensuring strong customer demand, some inelasticity in service need, and government and philanthropic support, which mitigate some of the social risks. Pandemics have a material effect on the education subsector, which varies across institutions. Quarantine measures affect operating revenue (particularly auxiliary revenue and state appropriations for public universities) and may impact research funding. A switch to entirely online learning may further pressure the value proposition of a college degree. Institutions best equipped to quickly pivot between online and in-person learning while maintaining a strong value proposition may face less pandemic-related pressure relative to their peers that lack these characteristics.

Regional Risk Summary

United States

With robust institutions and rule-of-law standards, the U.S. demonstrates many strong characteristics but lags several other countries with respect to ESG regulations and social indicators. Income inequality is higher than in other Organization for Economic Cooperation and Development (OECD) countries and has been so for over a century. Social services are similarly less generous than in most wealthy countries. Governance is characterized by a very stable political system, strong rule of law, a powerful judiciary, and effective checks and balances. The conditions of doing business are also generally high. The U.S. follows a rules-based approach to corporate governance focused on mandatory compliance with requirements from the major exchanges (NYSE and NASDAQ) as well as legislation. State corporate law is also a key source of corporate governance, particularly in Delaware where over half over all U.S. listed companies and close to 70% of Fortune 500 companies are incorporated. Exchanges mandate high standards of corporate governance. The NYSE requires companies listing on its exchange to have boards made up of a majority of independent directors and separate remuneration and nomination committees. However, formal requirements on ESG reporting are not as established as they are in European countries. While a growing number of companies have an independent chair, the combination of CEO and chair roles is still popular. This can undermine management oversight. Remuneration continues to be a contentious point because U.S. executive pay dwarfs global pay levels. The CEO-to-worker pay ratio is ever-increasing, leading to social tensions and shareholder criticism. The U.S. ranks 25 out of 180 on Transparency International's 2020 Corruption Perception Index.

Related Research

- "Environmental, Social, And Governance Evaluation: Analytical Approach," published Dec. 15, 2020
- "The ESG Risk Atlas: Sector And Regional Rationales And Scores," published July 22, 2020
- "Our Updated ESG Risk Atlas And Key Sustainability Factors: A Companion Guide," published July 22, 2020
- "How We Apply Our ESG Evaluation Analytical Approach: Part 2," published June 17, 2020

This report does not constitute a rating action.