



# Sustainable Future

2017 CORPORATE SUSTAINABILITY REPORT

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Please consider the environment before printing. This report is accurate as of June 15, 2018. See [sempra.com](http://sempra.com) for the most up-to-date version of this report.



Copper Mountain Solar in Boulder City, Nev.

# LETTER FROM OUR CEO



On my first day as chief executive officer, I laid out my focus in three core areas: People - Priorities - Culture. Our success in each of these areas will be crucial to our company's future.

By the year 2050, there may be nearly 10 billion people living on our planet. If predictions are right, two-thirds of them will be living in cities. In addition to food, clean air and clean water, they will need infrastructure that delivers clean energy and supports clean transportation. New technologies

and networks, powered by data analytics, will transform our industry - and will redefine our relationship with our customers.

As we complete our first 20 years of operations at Sempra Energy, we approach this future with ambition, excitement and momentum around a refined sense of purpose and a unique understanding of the role we will play.

Let me begin with a look back at 2017, an outstanding year of performance that reflects the hard work, dedication and creativity of our people.

## ECONOMIC PERFORMANCE

We recorded adjusted earnings\* of \$1.37 billion on revenues of \$11.2 billion. We distributed \$9.1 billion of the economic value we created to our stakeholders, including suppliers, employees, shareholders and providers of capital, and the governments and communities we serve. We also acquired a majority stake in Oncor, the largest electric utility in Texas, in the first quarter of 2018. You will find more on these topics on pages 15 and 44.

## ENVIRONMENTAL PERFORMANCE

The past year was remarkable by any number of measures: Solar, wind and hydroelectric power made up over half of our electric generating capacity, creating cleaner air for the communities we serve. We made progress on our goal of achieving a power-generation emissions rate 35-percent below our 2010 baseline by 2021. In California, where our headquarters is located, about 45 percent of the power SDG&E delivered to its customers came from renewable energy sources. We also made progress in two other key areas: developing electric vehicle charging infrastructure, and inspecting, repairing or replacing natural gas pipelines, resulting in improved safety and reduced emissions.

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Looking ahead to the next 20 years, Sempra Energy will lead with purpose and a clear vision, mission and values.

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\* Adjusted earnings is a non-GAAP measure (GAAP represents accounting measures generally accepted in the United States of America.) GAAP earnings in 2017 were \$256 million. For a reconciliation of adjusted and GAAP earnings please see pages 69 and 70.

Just 1 percent of the company's total water withdrawal came from freshwater sources - in part, due to conservation efforts at our facilities and our use of reclaimed or recycled water for our power generation operations. Importantly, 92 percent of the water we withdrew was returned to source.

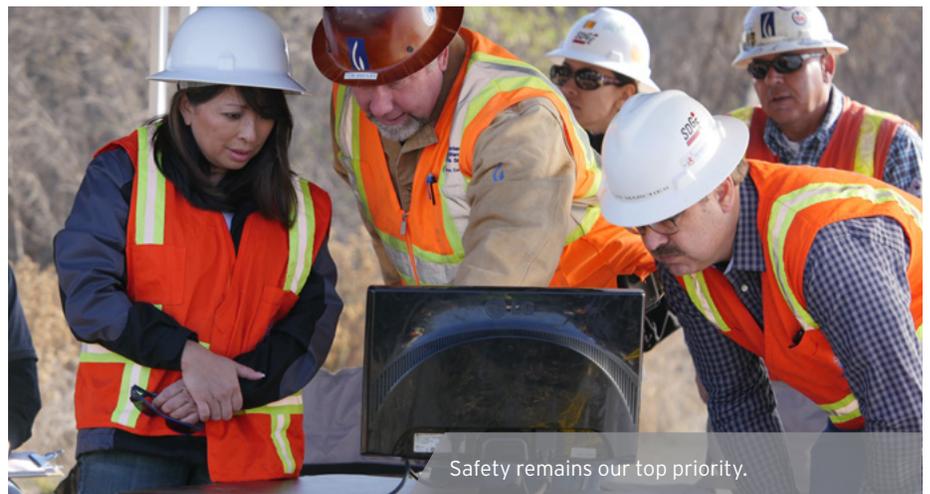
Finally, in this year's report we have tried to be responsive to recommendations put forth by the Task Force on Climate-related Financial Disclosure, also known as TCFD.

We know that when we reduce our environmental footprint, we positively impact the customers we serve - with cleaner air, more plentiful water resources, and operational efficiencies that can lower their costs. More on our environmental performance can be found on pages 34-40. TCFD-related disclosures can be found in the sidebars on pages 14, 18, 23 and 33.

## SOCIAL PERFORMANCE

I am exceptionally proud of the talented men and women I work with every day. In 2017, we conducted our biennial employee engagement survey: 82 percent of respondents were extremely satisfied with our company as a place to work. We also maintained strong gender equity and diversity. Thirty percent of the company's employees - and 34 percent of management - are women, compared to U.S. utility averages of 25 and 21 percent, respectively. Fully 59 percent of the company's U.S. workforce - and 52 percent of management - are people of color. While these numbers look good relative to other utilities, we must continue to make progress.

In 2017, our employee safety performance continued to improve. We had no employee fatalities; no contractor fatalities; and achieved companywide decreases in both the rate of recordable injuries and illnesses and the rate of injuries that resulted in time away from work. We also put new policies in place on human rights and stakeholder engagement. When we incorporate stakeholder input, it creates a more stable and predictable business environment. More on social performance can be found on pages 49-60.



## GOVERNANCE PERFORMANCE

Our governance performance in 2017 was also strong. We prioritize risk management; exercise discipline in our capital investment strategy; and assure that business ethics, compliance and management systems are in alignment. We also recognize that diverse leaders provide different perspectives that can be critical to business success. As of June 15, 2018, the average tenure of our independent directors was approximately 8 years, with seven of our 12 independent directors having joined the board since February of 2013. Additionally, 64 percent of our board members were women or people of color and 86 percent were independent. You can learn more about governance on pages 18-22.

## 20TH ANNIVERSARY

In 2018, we are celebrating the 20th anniversary of the formation of Sempra Energy. As we look back over the past 20 years, we have achieved substantial growth:

	1998*	2018*
<b>Annualized dividend</b>	\$1.56	\$3.58
<b>Market value</b>	\$6 billion	\$29 billion
<b>Stock price</b>	\$28.56	\$109.08
<b>Employees</b>	12,000	20,000
<b>Consumers served</b>	21 million	43 million

\* As of June 29, 1998 and March 9, 2018.

Over the same period, we contributed \$262 million to organizations in the communities where our employees live and work.

When we formed this company 20 years ago, we chose the name “Sempra,” derived from the Latin word “semper” which means “always.” And we designed our logo to include a human figure offering energy to the world. What was true at the beginning remains true today: What differentiates us is not the commodity we provide, but, rather, the people we employ. And so we work to make our corporate culture one in which our people are always innovating, always providing solutions and always finding a better way to meet the needs of the customers and communities they serve. This remains our focus going forward.

## PEOPLE - PRIORITIES - CULTURE

Our people are the key to our growth. As part of our vision for 2022, we will continue to invest in our employees, creating opportunities for continuous learning, and expanding their capacity to perform at even higher levels.

Safety remains our top priority. It is of utmost importance. We want every employee and contractor to arrive home safely at the end of each day. We also want to protect customers from any unsafe contact with our infrastructure. Additional priorities include maintaining our commitment to innovation – and finding new and better uses for technology to drive our growth and transform our company. With the power of new analytics and more customer-specific information, we will be able to deliver more value and expand the services we offer our customers.

Another core focus is culture. I have spent my first few months as CEO listening to our employees - their aspirations for our company, and where they would like to see us improve. We want to build on our high-performing culture; find new ways to serve customers; and produce more value by integrating technology - all while staying true to our focus on serving others. There is no greater reward than being of service to others - it is a timeless value. And I am confident that by continuing to honor our service commitment, we will continue to succeed while unlocking the full potential of our employees and improving our communities.

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We work to make our corporate culture one in which our people are always innovating, always providing solutions and always finding a better way to meet the needs of the customers and communities they serve.

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## THE FUTURE

Sempra Energy's future is bright. We have grown to become the utility holding company with the largest U.S. customer base. We hold strong market positions in California (the fifth largest economy in the world), Texas (the 10th largest economy in the world), Mexico (the 15th largest economy in the world) and in global LNG markets, where our anticipated reach into Asia should create new markets for American producers of clean natural gas. We're also in two stable and forward-looking countries in South America - Chile and Peru. We need to leverage these positions by building and operating infrastructure; investing in network and consumer-focused technologies; and employing data analytics that allow us to anticipate and meet our customers' energy needs in ways that were not previously possible.

I believe that three broad trends will play a significant role in our future.

*Decentralization of power generation:* A future where large power plants, utility-scale wind and solar, microgrids and a wide range of distributed energy resources such as rooftop solar, battery storage and electric vehicles are integrated, shared, optimized and priced in real time.

*Decarbonization of energy:* We will continue to support the integration of renewable energy facilities; expand the availability and use of natural gas in its many forms, including LNG and renewable natural gas; reduce our emissions; and invest in clean transportation. These priorities meet the needs of the many stakeholders demanding lower-carbon energy.

*Digitalization of the energy grid:* Smart, connected network infrastructure combined with grid-optimized solutions will allow us to engage with customers digitally - and in real-time - to more precisely meet their needs and optimize our efficiency. Investments in these edge-of-the-grid technologies and partnerships are already well underway.



What differentiates us is not the commodity we provide, but, rather, the people we employ.

Looking ahead to the next 20 years, Sempra Energy will lead with purpose and a clear vision, mission and values. Consistent with our vision for 2022, we will achieve long-term sustainability for our company and grow our capacity to impact communities in positive ways by maintaining a focus in four areas: technology and customer service; talent attraction, development and retention; operational excellence with an emphasis on safety; and disciplined capital allocation.

At Sempra Energy, we have an enormous responsibility to our 20,000 employees, the 43 million consumers we serve, our shareholders and other important stakeholders. We recognize that we have a role to play in the broader world. And we're privileged that our employees come to work every day to develop new ideas, solve problems and boldly meet the needs of customers and communities alike.

I welcome your comments and ideas as we continue our journey.

A handwritten signature in black ink, appearing to read 'Jeffrey W. Martin'.

**Jeffrey W. Martin**

Chief Executive Officer

# OUR BUSINESS



Cameron LNG in Hackberry, La.

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## Year in review

Sempra Energy® is a Fortune 500 company focused on two main ideals – supporting the communities we serve and planning for our shared tomorrow.

**In January**, SoCalGas® began pipeline testing in Palm Springs, Calif. and pipeline replacement in Inglewood, Calif. Both projects are part of the company’s multi-billion-dollar Pipeline Safety Enhancement Plan.

SDG&E® filed a series of proposals with the California Public Utilities Commission to install tens of thousands of electric-vehicle charging stations in new areas of its service territory.

SoCalGas broke ground on construction of a 1.4-mile, eight-inch pipeline in Perris, Calif. The pipeline will bring clean-burning renewable natural gas (natural gas from the decomposition of organic material) from a partner’s anaerobic digestion facility into the SoCalGas distribution system.

**In February**, Bethany J. Mayer and Andrés Conesa were appointed to the Sempra Energy board of directors. Mayer is the former president of Keysight Technologies’ Ixia Solutions Group, which provides solutions for validating, optimizing and securing networks. Conesa is CEO of Grupo Aeromexico, a holding company with subsidiaries engaged in commercial aviation in Mexico.

SDG&E activated the world’s largest lithium ion battery storage facility. The facility can store 120 megawatt-hours of electricity, enough to provide 20,000 customers with four hours of power.

Tecnored and Tecsur, electric-services providers for Sempra's subsidiaries in Chile and Peru respectively, joined efforts and were awarded a \$1.8 million contract to supply aluminum cable to public utilities in Peru.

More than 350 employees gathered at the company's annual Diversity and Inclusion Summit to discuss topics such as decision-making bias, diversity, mentoring and trust building.

SoCalGas entered into a settlement agreement with the South Coast Air Quality Management District (SCAQMD) and agreed to fund SCAQMD's health study related to the Aliso Canyon natural gas leak. (See sidebar on page 37 for additional information.)

A pilot project to convert wastewater solids into renewable natural gas was selected by the U.S. Department of Energy to receive up to \$1.2 million in federal funding. SoCalGas is part of a consortium conducting the pilot.

**In March**, Maria Contreras-Sweet was appointed to the Sempra Energy board of directors. Contreras-Sweet, a business and banking entrepreneur, served as the administrator of the U.S. Small Business Administration under U.S. President Barack Obama from 2014 to 2017. She serves as managing partner of Contreras-Sweet Enterprises and Rockway Equity Partners.

To help select contractors that demonstrate exemplary caution, SoCalGas announced that vendors performing excavation work for the company must be Gold Shovel Standard-certified by July 31, 2017.

SDG&E announced that it would participate in a project to test flow battery storage. Flow batteries use fuel-cell technology and may last up to 20 years.

SoCalGas launched an [online tool](#) that allows members of the public to view near real-time data from a network of methane monitors near the Aliso Canyon natural gas storage facility.

ENova announced the execution of a \$115-million long-term contract to supply electricity to Deacero SA, a private industrial company in Mexico, from its 110-megawatt Pima solar facility. This was the first contract between a private generator and an industrial customer in Mexico.

Preliminary findings from research conducted at the University of California, Irvine showed that the campus could increase the amount of renewable energy it uses - from 3.5 percent to 35 percent - by adding renewable natural gas to its energy system. The research was funded by SoCalGas.

SDG&E celebrated a milestone in its mobile home park upgrade project, installing the 1,000th individual utility meter on a mobile home park residence. An individual meter gives a customer improved safety and reliability; faster service; and better access to programs that can help reduce energy costs.

**In April**, SoCalGas began pipeline valve replacement in Ontario and Los Angeles, Calif. The projects are part of the company's multi-billion-dollar Pipeline Safety Enhancement Plan.

SDG&E signed contracts for five new battery storage facilities, capable of providing 83.5 megawatts of energy to the electrical grid. These projects were approved by the CPUC in June 2018.

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SDG&E's lithium ion battery storage facility can store enough energy to provide 20,000 customers with four hours of power.

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SoCalGas celebrated its 150th anniversary in July - the utility can trace its operations back to 1867.

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**In May**, for the second consecutive year, Sempra Energy was named to *Forbes'* "America's Best Large Employers" list.

Sempra LNG & Midstream completed the Cameron Interstate Pipeline expansion project. The pipeline will be able to transport up to 1.5 billion cubic feet per day of natural gas to the Cameron LNG liquefaction facility, once the facility is completed.

SoCalGas launched a community notification system for its Honor Rancho, La Goleta, and Playa del Rey natural gas storage facilities. Community members can opt in to receive notifications if there is a reportable event at one of the facilities.

SoCalGas announced the establishment of the Center for Renewable Natural Gas at the University of California, Riverside. The Center is the first academic establishment in the U.S. dedicated to the study and applied research of renewable natural gas technologies.

Los Angeles County's Metropolitan Transportation Authority announced that it plans to award a five-year contract to purchase renewable natural gas for use in its bus fleet, providing further support for the movement toward renewable natural gas in SoCalGas' service territory.

**In June**, Chilean subsidiary Chilquinta Energía was awarded the bid to construct and operate a new 133-mile (214 kilometer), double-circuit, 220-kilovolt electric transmission line in the northern region of Chile.

At the request of U.S. President Donald Trump, Sempra Energy's then-Chairman, President and CEO Debra Reed participated in a discussion about the future of the U.S. energy industry at the White House.

Sempra LNG & Midstream and Woodside Petroleum Ltd. signed a memorandum of understanding with KOGAS (Korea Gas Corporation) regarding the development of a proposed LNG project in Port Arthur, Texas.

Sempra Energy's then-Chairman, President and CEO Debra Reed signed the CEO Action for Diversity & Inclusion™, pledging to continue to cultivate a workplace where diverse perspectives and experiences are welcomed and respected.



SoCalGas has the largest customer base of any U.S. natural gas distribution utility.



**In July**, SoCalGas celebrated its 150th anniversary - the utility can trace its operations back to 1867 with the installation of 43 lamps filled with manufactured gas in downtown Los Angeles.

Mexican subsidiary IEnova was awarded a 20-year concession by the Veracruz Port Administration in Mexico to build and operate a liquid fuels marine terminal on the Mexican Gulf Coast. The \$155 million terminal will have a capacity of 1.4 million barrels of gasoline, diesel and jet fuel.

The California Public Utilities Commission and the California Department of Conservation's Division of Oil, Gas, and Geothermal Resources cleared SoCalGas to resume adding natural gas to its Aliso Canyon storage facility on a limited basis.

Sempra Renewables acquired the 200-megawatt Great Valley Solar project in Fresno County, Calif., from Recurrent Energy, a wholly owned subsidiary of Canadian Solar Inc.

**In August**, 87 percent of employees across the Sempra Energy family of companies completed the biennial employee engagement survey.

Sempra Energy announced an agreement to acquire Energy Future Holdings Corp., the indirect owner of approximately 80 percent of Oncor Electric Delivery Company LLC (Oncor), operator of the largest electric transmission and distribution system in Texas, for \$9.45 billion.

Hurricane Harvey made landfall near Houston, Texas. All employees and their family members in the region remained safe and company facilities were not significantly damaged. Sempra Energy employees and the Sempra Energy Foundation made contributions to support relief efforts.

IEnova signed long-term contracts to provide liquid fuel storage capacity to Valero Energy Corp. at IEnova-owned storage facilities, now under construction. Once completed, the facilities are expected to have a combined capacity of 2.7 billion barrels of gasoline, diesel and jet fuel.

SoCalGas began a natural gas pipeline replacement project in San Luis Obispo, Calif., as part of the company's multi-billion-dollar Pipeline Safety Enhancement Plan.

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At year-end, more than half of the generating capacity across all Sempra Energy businesses came from solar, wind and hydroelectric power plants.

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Our utilities provide information and answer questions through websites and customer call centers.

**In September**, in response to Hurricane Irma, Sempra Energy employees and the Sempra Energy Foundation made contributions to support relief efforts in Florida and the Caribbean.

A series of earthquakes struck Mexico. All employees and their family members were reported safe. Sempra Energy employees and the Sempra Energy Foundation made contributions to support relief efforts, and pledged to support rebuilding efforts.

**In October**, Oncor and Sempra Energy jointly filed a change-in-control application with the Public Utility Commission of Texas, a key step in the regulatory review process for Sempra Energy's agreement to acquire Energy Future Holdings Corp.

Chilquinta Energía energized the Ciruelos-Pichirrupulli 220-kilovolt transmission line. The line was placed into service on budget and ahead of schedule. Construction was completed with zero safety incidents.

ENova acquired Pemex Transformación Industrial's 25-percent stake in Ductos y Energéticos del Norte, increasing ENova's interest in the Los Ramones pipeline to 50 percent. The 42-inch diameter pipeline transports natural gas from Nuevo León to San Luis Potosí.

SoCalGas and SDG&E filed their 2019 rate requests with the California Public Utilities Commission. The rate requests comprise detailed projections of what the utilities project it will cost to deliver energy to consumers from 2019 to 2022.

SoCalGas announced the installation of a bioreactor system at the U.S. Department of Energy's National Renewable Energy Laboratory (NREL) in Golden, Colorado. The bioreactor system will convert hydrogen generated from excess renewable power into pipeline quality methane for use in homes, businesses and transportation.

Sempra LNG & Midstream filed an application with the Federal Energy Regulatory Commission to permit, construct and operate the 131-mile Port Arthur Pipeline Louisiana Connector, which will provide natural gas service to the proposed Port Arthur LNG liquefaction facility in Port Arthur, Texas.

More than 100 SoCalGas and SDG&E employees traveled to Northern California to help restore electricity and natural gas service to thousands of residents and business owners after several large wildfires ravaged Santa Rosa, Calif., and surrounding communities.

**In November**, Sempra Energy was recognized for its LGBT- and disability-inclusive practices: The company received a perfect score on the Human Rights Campaign Foundation's Corporate Equality Index for corporate practice related to lesbian, gay, bisexual and transgender equity; and it received the National Organization on Disability's "Leading Employer Seal."

Sempra Energy, SDG&E and SoCalGas participated in a national energy grid security and crisis response exercise in coordination with the U.S. Department of Homeland Security.

SDG&E expanded its network of high-definition cameras to improve fire detection and public safety in fire-prone areas of the company's service territory.

**In December**, *The Wall Street Journal* recognized Sempra Energy as the top company in the utilities sector in its inaugural "Management 250" ranking.

Great Place to Work, an international research firm, ranked Chilquinta Energía the third-best place to work in Chile.

More than 350 SoCalGas employees responded to the wildfires in Ventura County, Calif., repairing and restoring service to more than 2,800 affected customers. SoCalGas and Sempra Energy also pledged more than \$150,000 to help with relief efforts.

After a wildfire broke out during a period of high winds, SDG&E de-energized power lines in fire-prone areas of its service territory in northern San Diego County to protect public safety.

SDG&E received the Platts Global Energy Award for Industry Leadership in the Power Sector, for reducing its carbon footprint and modernizing its system.

At year-end, zero-carbon sources of energy represented 53 percent of Sempra Energy's total generating capacity.



Broken Bow Wind II, in Custer County, Neb.



## The connection between climate change and our business strategy

The changing climate impacts our business strategy. Sempra Energy's management team recognize that the sustainability of our business is closely aligned with our ability to use resources efficiently; minimize our environmental impact; and adapt to the demands of a lower-carbon economy.

We continue to focus investment in these areas so we can provide even more clean, reliable energy to customers.

## Strategy and assets

Sempra Energy, based in San Diego, is a Fortune 500 energy services holding company with 2017 revenues of \$11.2 billion. Our 20,000 employees serve approximately 43 million consumers worldwide.

Sempra Energy is organized into two operating groups: Sempra Utilities and Sempra Infrastructure. Sempra Utilities includes SDG&E, SoCalGas, Sempra Texas Utility\* and Sempra South American Utilities. Sempra Infrastructure includes Sempra Mexico\*, Sempra LNG & Midstream and Sempra Renewables.

Top-tier utilities and long-term-contracted energy infrastructure assets constitute our balanced portfolio of businesses.

We are focused on investing wisely for the future:

- On March 9, 2018, we completed our \$9.45 billion acquisition of Energy Future Holdings Corp., including its approximate 80-percent indirect ownership interest in Oncor Electric Delivery Company LLC. We expect the addition of Oncor to enhance our growth platform and broaden our base of U.S. utility earnings.
- SDG&E and SoCalGas have robust capital programs underway to strengthen and modernize their systems, procure and deliver lower-carbon energy and promote cleaner transportation options throughout their service territories.
- Our Mexican subsidiary, IEnova, is working to capitalize on a number of potential market opportunities in Mexico's energy sector, including in renewables, natural gas and liquid fuels. And in South America, we are exploring opportunities to develop hydroelectric generation and electric transmission infrastructure.
- Industry analysts predict that worldwide demand for U.S. natural gas will continue to increase. All three trains at our Cameron LNG joint-venture project in Louisiana are expected to be producing LNG in 2019, and we are currently considering developing other LNG export facilities, including in Texas and Mexico.

The changing climate impacts our company and our business strategy. Demand for lower-carbon energy and related services continues to increase. Many of our investments increase our ability to deliver it, allowing us to meet customer demand while helping to achieve long-term growth for our shareholders. In addition, the lower-carbon energy that we deliver often displaces more carbon-intensive forms of energy.

For more details on our approach to climate-related risks and opportunities, please see pages 29-33.

\* Sempra Texas Utility is comprised of our 80.25 percent interest in Oncor Electric Delivery Company LLC. Sempra Mexico includes our Mexican subsidiary, IEnova.

## Consolidated data

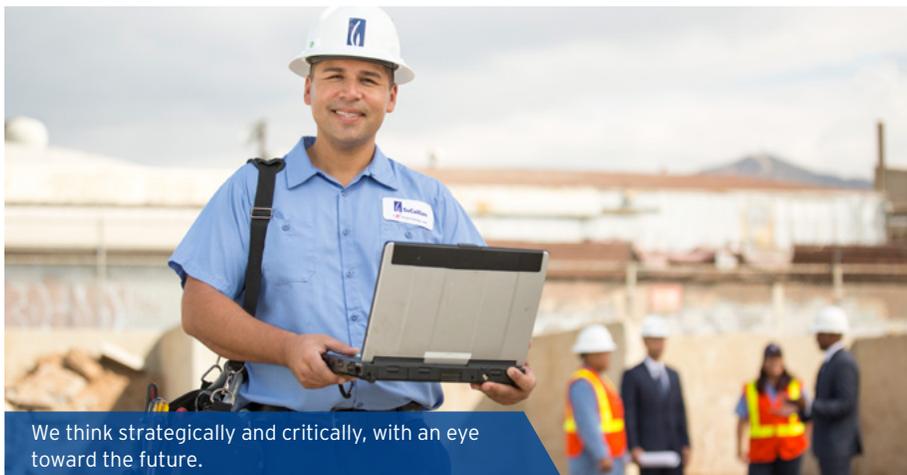
Dollars in millions, except per-share amounts

	2015	2016	2017
Revenues	\$10,231	\$10,183	\$11,207
Earnings	\$1,349	\$1,370	\$256
Adjusted earnings <sup>1</sup>	\$1,298	\$1,267	\$1,368
<b>Earnings per share of common stock:</b>			
Basic	\$5.43	\$5.48	\$1.02
Diluted	\$5.37	\$5.46	\$1.01
Adjusted diluted <sup>1</sup>	\$5.17	\$5.05	\$5.42
Weighted average number of common shares outstanding (diluted, in millions)	250.9	251.2	252.3
Total assets	\$41,150	\$47,786	\$50,454
Common dividends declared per share	\$2.80	\$3.02	\$3.29
Debt to total capitalization	54%	53%	56%
Book value per share	\$47.56	\$51.77	\$50.40
Capital expenditures & investments	\$ 3,354 <sup>2</sup>	\$ 5,718 <sup>2</sup>	\$4,219

<sup>1</sup> Sempra Energy adjusted earnings and adjusted diluted earnings per share are non-GAAP financial measures (GAAP represents accounting principles generally accepted in the United States of America). For an explanation and reconciliation of these non-GAAP financial measures to Sempra Energy earnings and diluted earnings per common share, the most directly comparable financial measures calculated in accordance with GAAP, please see "Reconciliation of Sempra Energy GAAP earnings and diluted earnings per share (EPS) to Sempra Energy adjusted earnings and adjusted diluted EPS (unaudited)" on pages 69-70 of this report.

<sup>2</sup> As adjusted for the adoption of Accounting Standards Update (ASU) 2016-15 and ASU 2016-18, which we discuss in Note 2 of the Notes to our Consolidated Financial Statements in our Annual Report on Form 10-K.

Sempra Energy's values and code of conduct (pages 20-22) guide the execution of our business strategy. We strive to be a responsible partner: ethical, respectful, high-performing and forward-looking. We engage with our stakeholders (pages 46-47 and 52-56) - our customers, employees, investors, business partners, regulators and the communities we serve - and consider and, when possible, incorporate their feedback, building trust and strengthening relationships.



We think strategically and critically, with an eye toward the future.

## Oncor Electric Delivery Company

On August 20, 2017, Sempra Energy announced an agreement to acquire Energy Future Holdings Corp. (Energy Future), the indirect owner of approximately 80 percent of Oncor Electric Delivery Company, LLC (Oncor), operator of the largest electric transmission and distribution system in Texas.

The transaction closed on March 9, 2018.

Oncor is the largest regulated electric transmission and distribution provider in Texas, serving 10 million consumers with nearly 4,000 employees and more than 134,000 miles of transmission and distribution lines.

Oncor is a strong, well-run utility in a constructive regulatory environment. It complements our existing presence in the U.S. Gulf Coast region and provides a sizable platform to identify opportunities for our infrastructure business.

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Our 20,000 employees serve approximately 43 million consumers worldwide.

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### SEMPRA UTILITIES

**Southern California Gas Company:** SoCalGas has the largest customer base of any U.S. natural gas distribution utility, providing safe, reliable and affordable service to 21.8 million consumers.

**San Diego Gas & Electric:** SDG&E is an electric and gas utility that provides safe and reliable energy to 3.6 million consumers in San Diego and southern Orange Counties.

**Oncor Electric Delivery Company LLC\*:** Oncor is a regulated electric transmission and distribution company and the largest utility in Texas. Oncor provides safe and reliable service to more than 10 million Texans.

**Sempra South American Utilities:** The Sempra South American Utilities are Chilquinta Energía in Chile and Luz del Sur in Peru. They invest in electric generation and transmission and provide energy service to 7 million consumers.

### SEMPRA INFRASTRUCTURE

**Sempra Mexico:** Sempra Mexico includes IEnova, one of the largest private energy companies in Mexico. IEnova develops, builds, operates and invests in energy infrastructure in Mexico.

**Sempra LNG & Midstream:** Sempra LNG & Midstream develops, builds and invests in liquefied natural gas facilities and natural gas pipelines and storage.

**Sempra Renewables:** Sempra Renewables is a leading U.S. developer of renewable energy. Together with its partners, the company owns and operates nearly 2,600 megawatts of renewable capacity.

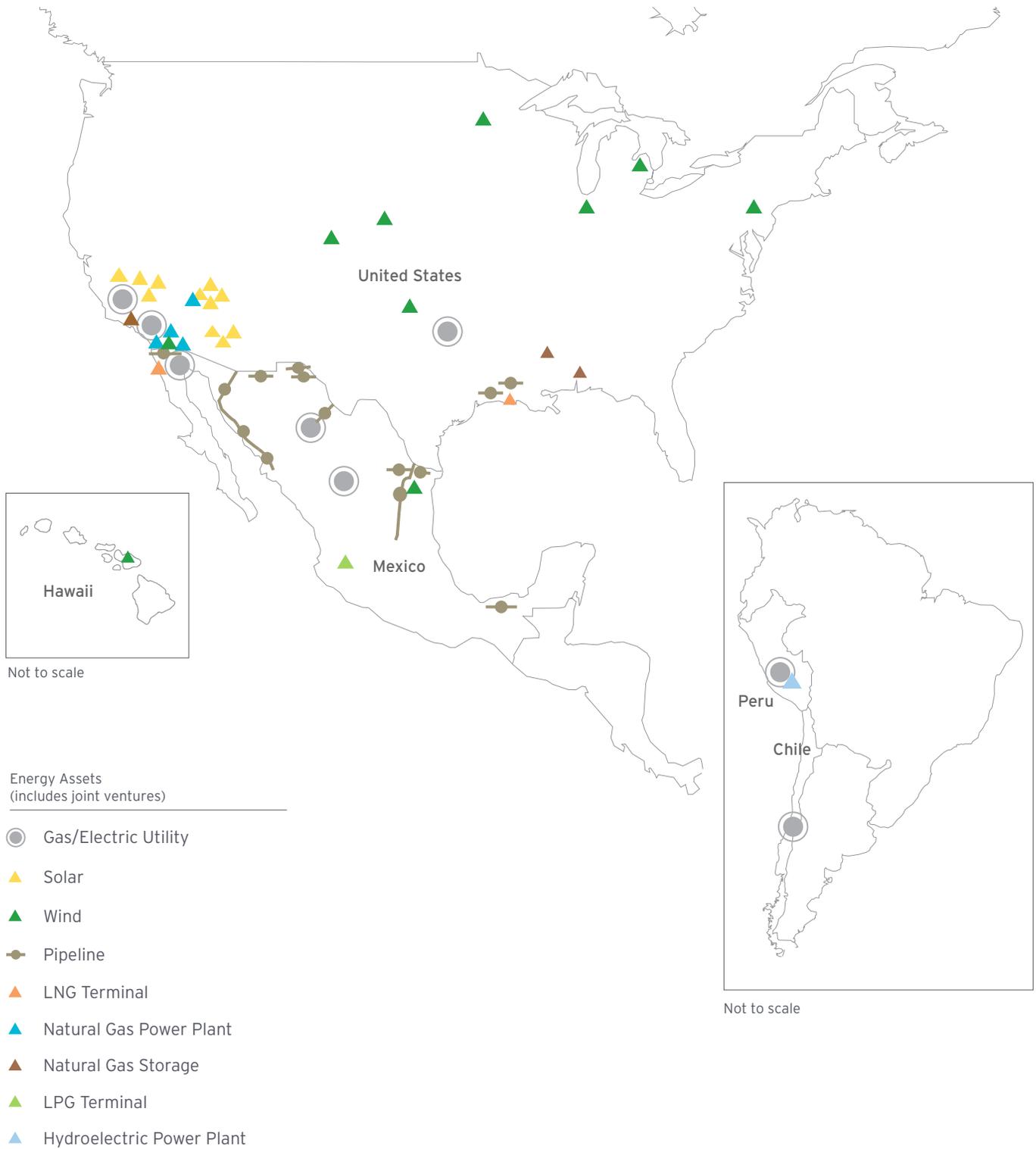
\* We will include performance data for Oncor in our 2018 corporate sustainability report.

*Sempra South American Utilities, Sempra Infrastructure, Sempra LNG & Midstream, Sempra Renewables, Sempra Mexico, Sempra Texas Utility, Oncor Electric Delivery Company LLC (Oncor) and Infraestructura Energética Nova, S.A.B. de C.V. (IEnova) are not the same companies as the California utilities, San Diego Gas & Electric Company (SDG&E) or Southern California Gas Company (SoCalGas), and Sempra South American Utilities, Sempra Infrastructure, Sempra LNG & Midstream, Sempra Renewables, Sempra Mexico, Sempra Texas Utility, Oncor and IEnova are not regulated by the California Public Utilities Commission.*



Oncor is the largest utility in Texas.

# Our energy assets



## Climate-related risk and governance

Sempra Energy's full board of directors participates in an annual strategic planning process. Company leaders assess a wide range of risks and opportunities - including climate-related risks and opportunities - as they review capital investments and growth prospects.

The board's Environmental, Health, Safety & Technology (EHS&T) Committee oversees many issues related to the long-term sustainability of Sempra Energy. The committee reviews the company's annual sustainability report, which includes progress on goals related to environmental performance, greenhouse gas emissions and water use. The committee also addresses the impact and opportunities that may arise from changing environmental laws and regulations.

The company's issues management team comprises employees from regulatory affairs, state and federal government affairs, community relations and other external affairs functions. This team reports to management on issues impacting the company, including those directly or indirectly related to climate change.

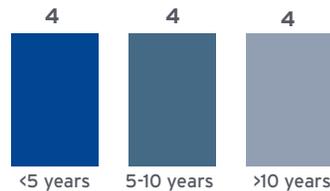
## Governance

### BOARD OF DIRECTORS

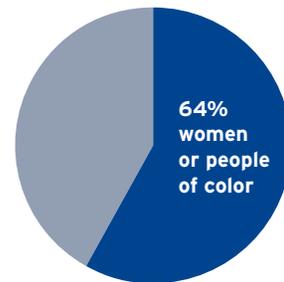
The business and affairs of Sempra Energy are managed under the direction of the Sempra Energy board of directors.

Our board provides diverse and independent leadership. As of May 1, 2018, nine of our 14 board members, or 64 percent, were women and/or people of color; 12 of our 14 board members, or 86 percent, were independent according to the principles and standards established by the New York Stock Exchange; and the average tenure of our independent directors was approximately 8 years.

### Independent board member tenure<sup>1</sup>



### Board diversity<sup>1</sup>



<sup>1</sup> Reflects board composition as of June 15, 2018.

Our board reviews business plans and performance; reviews succession planning; and establishes corporate governance policies that guide Sempra Energy's operations. Our board has oversight of risk management with a focus on the most significant risks facing Sempra Energy, including strategic, operational, financial, regulatory, legal and compliance risks. These include climate-related risks, as a changing climate could have operational, financial, regulatory and/or reputational impacts on our business. Throughout the year, the full board and its committees meet to review and discuss specific risk topics in greater detail.

The board is organized into five standing committees: the Audit Committee; the Compensation Committee; the Corporate Governance Committee; the Environmental, Health, Safety and Technology (EHS&T) Committee; and the Executive Committee. Committee charters may be found in the governance section of [sempra.com](http://sempra.com).

The board takes an active role in providing oversight of sustainability through its Environmental, Health, Safety and Technology Committee. This includes reviewing business strategies on safety and reliability, system modernization, and electrification and decarbonization, while overseeing efforts that minimize the impact of company operations on the environment. We rigorously track performance on environmental, social and governance-related topics and issues and incorporate many elements of sustainability into our risk management approach.

Our board members have the skills and experience relevant to managing a large multinational energy services holding company, as outlined in the chart below.

### Board member expertise/experience<sup>1</sup>

Number of members with experience in each area



<sup>1</sup> Reflects board composition as of June 15, 2018.

## SHAREHOLDER ENGAGEMENT

Sempra Energy's board of directors is accountable to shareholders. Each year, in conjunction with our annual meeting, shareholders have the opportunity to elect each member of our board of directors; to ratify the selection of our independent public accounting firm; and to cast an advisory vote on the company's executive compensation program. The board periodically submits proposals for shareholder consideration, in addition to its routine annual proposals.

In 2017, we met with shareholders representing 37 percent of our outstanding common shares (approximately 45 percent of our institutional share ownership) to discuss a range of environmental, social and governance issues including corporate sustainability, methane emissions, the company's long-term incentive plan and executive compensation. For more details on these issues, please see our 2018 proxy statement.

### Proxy vote summary

Proxy item	Percent vote "For" <sup>1</sup>				
	2014	2015	2016	2017	2018
Election of directors (average) <sup>2</sup>	99	99	96	99	99
Ratification of independent auditors <sup>2</sup>	99	99	99	99	98
Advisory vote on executive compensation <sup>2</sup>	97	97	71	98	97
Advisory vote on the frequency of advisory votes on executive compensation. <sup>2</sup>	-	-	-	90	-
Independent board chairman <sup>3</sup>	-	16	-	-	-
Enhanced shareholder proxy access <sup>3</sup>	-	-	-	-	20

<sup>1</sup> Defined as For/(For + Against), expressed as a percentage. Abstentions and broker non-votes are not included in the calculation.

<sup>2</sup> Proposals submitted by the board.

<sup>3</sup> Proposal submitted by a shareholder in accordance with U.S. Securities and Exchange Commission rules.

## VALUES AND CODE OF CONDUCT

At Sempra Energy, our work is guided by our values. What we do is important, but how we do it is even more critical. We act with honesty and integrity. We listen to and engage with others and seek diverse perspectives. We set and achieve tough goals. And we think strategically and critically, with an eye toward the future.

We expect each Sempra Energy director, officer, employee and supplier to abide by our values - and also to understand and comply with our Code of Business Conduct (Code).

Our Code covers a wide range of topics, including safety; discrimination- and harassment-free workplace; confidentiality and privacy; environmental protection; charitable activities; political participation; antitrust, anti-corruption and bribery laws; fair competition; conflicts of interest; information management; and securities trading.

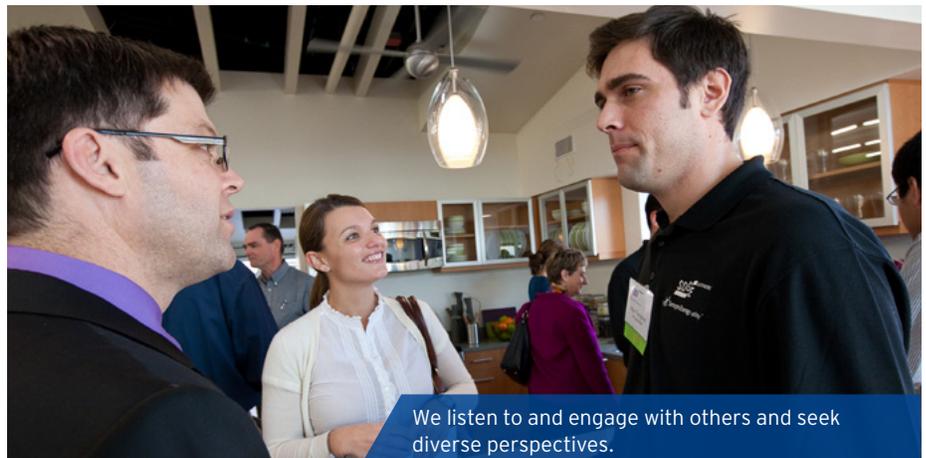
Our commitment to responsible and ethical behavior is further detailed in a range of corporate policies and position statements, including our [Human Rights Policy](#), our [Stakeholder Engagement Policy](#), our [Discrimination- and Harassment-Free Workplace Policy](#), our [Environmental Policy](#), our [Political Engagement Policy](#) and many others.

Every employee regularly completes ethics and compliance training, customized to their position and responsibilities.

Employees, contractors, customers and suppliers can report a potentially unsafe, unethical or compliance-related concern without fear of retaliation. To encourage this, Sempra Energy provides a wide range of reporting channels.

Employees may report a concern to: their immediate supervisor; the next level of management above their supervisor; the corporate compliance department; the human resources department; our chief ethics officer, currently Senior Vice President, Chief Human Resources and Administrative Officer G. Joyce Rowland; or the Ethics & Compliance Helpline. Or they may take other actions as outlined in our Code of Business Conduct.

Any contractor, supplier, employee or member of management who does not comply with applicable laws or corporate policies is subject to disciplinary action, including termination.



We listen to and engage with others and seek diverse perspectives.

# Corporate values

## Shape the future

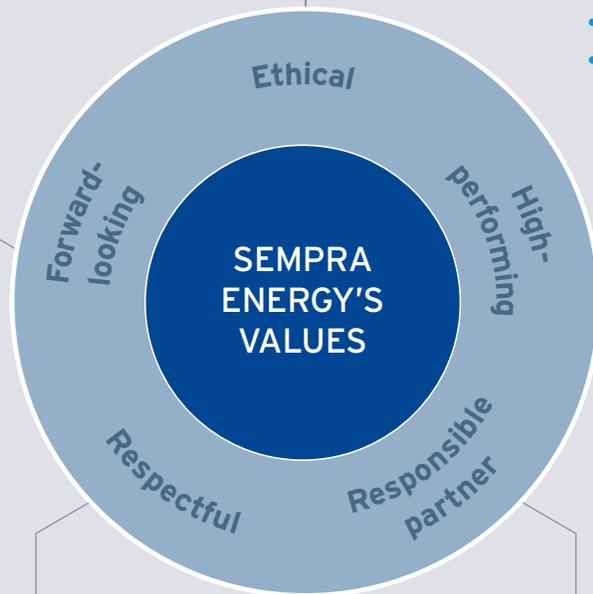
- Think strategically and critically
- Anticipate market needs
- Actively pursue and create opportunities
- Implement with discipline, manage risks

## Do the right thing

- Act with honesty and integrity
- Be open and fair
- Keep our commitments
- Earn people's trust

## Deliver outstanding results

- Set tough goals and achieve them, act with urgency
- Reward superior performance, acknowledge success
- Learn and improve
- Be accountable



## People matter

- Listen, communicate clearly, be candid
- Embrace diversity of people and perspective
- Contribute individually, succeed as a team
- Treat safety as a way of life

## Create positive relationships

- Engage others, seek feedback, collaborate
- Support our communities
- Be a responsible environmental steward
- Do what we say we'll do

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Employees, contractors, customers and suppliers can report a potentially unsafe, unethical or compliance-related concern without fear of retaliation.

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Stakeholders, including any employee, contractor, customer or supplier, may report a concern or grievance - anonymously, if desired - via the Ethics & Compliance Helpline, available 24 hours a day, seven days a week. Every report made to the Ethics & Compliance Helpline is investigated. In 2017, there were 287 calls to the helpline. Seventy-three calls were substantiated and corrective action was taken. The helpline can be accessed in the following ways:

- [SempraEthics.com](http://SempraEthics.com)
- United States: 800-241-5689
- Mexico: 001-770-582-5249
- Chile: 600-320-1700
- Peru: 0800-7-0690

## POLITICAL INVOLVEMENT

Representatives from Sempra Energy interact with national, state/provincial and local policymakers, both within the United States as well as in other countries where we do business. They participate in meetings; testify before committees; write letters in support of, or in opposition to, proposed policies; and make political contributions as allowed by law.

The company and its businesses also maintain memberships in various business and trade associations that advocate on public policy.

In 2017, Sempra Energy reported aggregated lobbying expenditures across its companies, excluding political contributions, of \$3,573,474 at all levels of government. Lobbying expenses include time and expenses incurred in the course of lobbying; expenses related to the operation of our offices in Washington, D.C., and Sacramento, Calif.; fees paid to lobbying firms; and the lobbying portion of fees we paid for memberships in business or trade organizations.

In addition to lobbying expenses, Sempra Energy and its companies made \$922,133 in campaign contributions in 2017 to state and local candidates and political committees and caucuses, as allowed by law. Sempra Energy and its subsidiaries do not make political contributions to federal candidates within the U.S. - or to any candidates outside of the U.S.

The Sempra Energy Employees' Political Action Committee (SEEPAC) supports candidates and elected officials, regardless of political party, who are open to learning about and addressing the issues facing our industry and impacting our customers. In 2017, SEEPAC made \$217,500 in political contributions, in compliance with the requirements governing political action committees.

Twice a year, we publicly disclose corporate and SEEPAC political contributions as well as fees of \$20,000 or more that were paid for memberships in business and trade associations, specifying the amount of such fees that were attributable to lobbying.

In 2017, Sempra Energy received a score of 97.1 percent on the Center for Political Accountability's CPA-Zicklin Index, indicating exemplary political disclosure and accountability policies and practices.

## Risk management

To develop and deliver safe, reliable and affordable energy and energy services to approximately 43 million consumers, our company and its businesses must work to be prepared for adverse events and uncertainties. We take this responsibility very seriously.

### KEY RISKS

Sempra Energy identifies, assesses and, where possible, mitigates a broad and complex set of risks commonly associated with the energy industry, as well as risks specific to our company. Our Annual Report on Form 10-K, filed each year with the U.S. Securities and Exchange Commission, provides a description of these risks.

Types of risk assessed include:

- Safety risk - There are inherent public and employee safety risks associated with operating energy generation, processing, transmission and distribution facilities.
- Financial risk - Sempra Energy's cash flows, ability to pay dividends and ability to meet its debt obligations largely depend on the performance of its businesses and the ability to utilize the cash flows from its businesses.

## Risk management and climate change

At Sempra Energy, we incorporate related to climate change into our risk management process. Some climate-related risks are shorter term, such as preparing for a wildfire season exacerbated by extreme drought and the potential for high winds. Other risks are medium-term, such as meeting a climate-related regulatory target to avoid penalties or fines. Others, such as the potential impact of sea-level rise, are longer-term.

We consider these and other risks as we plan capital expenditures. For well over a decade, our company has focused on developing infrastructure to generate, store or deliver cleaner-burning natural gas and zero-emissions renewable energy. Today, more than half of our power generation portfolio is emissions-free.

Demand for lower-carbon sources of energy has also created significant opportunities for growth. See pages 30-33 for more.

You may find more detail about Sempra Energy's climate-related risks and opportunities in our company's response to CDP's (formerly the Carbon Disclosure Project) annual survey, which may be found at [www.cdp.net](http://www.cdp.net).



We work to be prepared for adverse events and uncertainties.



Meteorologists at work at SDG&E.

- Operational risk - Severe weather conditions, natural disasters, catastrophic accidents or acts of terrorism could materially adversely affect our businesses, financial condition, results of operations, cash flows and/or prospects.
- Cybersecurity risk - The malicious use of technology could present a risk to our information systems, including customer information, and the integrity of our energy systems and infrastructure.
- Regulatory risk - Our businesses are subject to complex government regulations and may be materially adversely affected by changes in these regulations or in their interpretation or implementation.
- Reputational risk - The reputation of our companies is fundamental to our license to operate in or near communities. This includes impacting our ability to site projects and receive needed approvals and permits from local governments and regulatory and permitting agencies.
- Compliance risk - Our businesses incur environmental compliance costs, and future environmental compliance costs could have a material adverse effect on our cash flows and results of operations.
- Climate-related risk - The changing climate has operational, regulatory and reputational impacts on our businesses. A more detailed description of climate risk is on page 29 and in the sidebars on pages 18 and 23.

## RISK MANAGEMENT PROCESS

At Sempra Energy, we assess a risk based on its ability, probability and potential to have a significant adverse impact on our business. Once a risk has been assessed, we work to mitigate it.

We take a rigorous approach. We use a risk framework and a risk registry to assign and track risks internally. We use a range of tools and methods, including risk maps, risk composition, risk correlation and sensitivity analysis. We also work with outside experts to get the benefit of their perspective and expertise.

For each identified risk, risk management teams assess the potential impact, likelihood of the event and strength of controls. We look to mitigate, share or transfer risk where appropriate through methods such as operational

enhancements; sharing counterparty/liquidity risk in joint ventures; use of guarantees or long-term contracts; insurance; and risk indemnification. Aggregated risks are reported to the Sempra Energy board of directors, where the Environmental, Health, Safety and Technology Committee plays a significant role.

It is important to note that at Sempra Energy, risk management is focused on ongoing improvement and dialogue. It is much more than a “check-the-box” process.

Effective risk management is essential to safely and reliably serving our customers; to maintaining the stable operation of our businesses; and to achieving strong and predictable business outcomes.

## COMPLIANCE AND MANAGEMENT SYSTEMS

Sempra Energy’s businesses use effective processes and systems to optimize performance and help ensure compliance with company policies and applicable laws, rules and regulations. By tracking compliance metrics, we protect our company from exposure to unnecessary risk.

We expect all employees to share our values - and to embrace our commitment to compliance and ethical behavior.

Our compliance program is based on these five core elements:

- Leadership oversight and accountability - Sempra Energy’s leaders promote and enhance our culture of compliance: they continuously seek opportunities to demonstrate the importance of integrity, honesty and respect. A chief compliance officer and an oversight committee oversee compliance programs at Sempra Energy and at each of its principal businesses.
- Codes of conduct, policies and procedures - Sempra Energy’s Code of Business Conduct provides guidelines for maintaining a legally compliant and ethical workplace. We have specific codes for directors, employees and suppliers. Company policies and procedures describe our expectations with more specificity.
- Education, communication and awareness - Our risk-based compliance training program teaches employees about a variety of compliance topics. We use a range of communications vehicles to effectively reach the full range of employees, including pulse surveys, videos, gaming and other formats. Compliance courses are customized to each employee’s position and responsibilities. Compliance personnel track employee comprehension of key compliance principles and adjust the training curricula to improve effectiveness.
- Risk assessments, auditing and monitoring - Our company completes an enterprise-wide risk assessment each year. The risk assessment is one of our key inputs into the development of our annual internal audit plan.
- Reporting processes and procedures - Anyone may anonymously report ethics and compliance concerns, grievances or potential violations through our Ethics & Compliance Helpline, available 24 hours a day, seven days a week. Every report made to the Helpline is investigated in a timely manner. More information on the Helpline is on pages 20-22.



## Using “heat mapping” to reduce risk

Employees at Sempra South American Utilities’ Chilquinta Energía helped to implement a new “heat map” feature as part of a new fleet management system. The system uses global positioning system (GPS) data, entered by employees or contractors, to highlight the geographic areas where the risk of a safety or security incident is above the norm. Risks include, but are not limited to, violence/assault, animal attacks and vehicle accidents.

This information is presented to work crews - in the form of a heat map - on their mobile phones via an app. Additionally, crew members receive a push notification on their mobile phones when they enter or exit a higher risk zone. Each notification includes recommended measures to mitigate the associated risk.

Chilquinta Energía is working to simplify the process: the objective is to enable location-tracking via mobile phone so that a worker’s location would be automatically included when they report an incident.



## Optimizing compliance performance

Sempra Energy and its businesses use many different processes and systems to optimize compliance performance. Examples include:

- Our Audit Services department, which reports directly to the Sempra Energy board of directors, completed 121 audits in 2017, reviewing business practices and identifying possible improvements.
- Cybersecurity-focused employee communications and town hall meetings, one-click reporting and other tracking and reporting tools help protect the company's information assets.
- Our California utilities (SDG&E and SoCalGas) use an environmental and safety compliance management program to ensure compliance with environmental and safety laws; rules and regulations; and company standards. Our other businesses utilize ISO14001 and other international standards.
- Business resumption plans outline how we will recover and resume operations following a natural or human-caused disaster or other unforeseen disruption.
- We use a lobbying activity tracking system to manage political activity and meet local, state and federal political reporting requirements.

### External certifications\*

<b>ISO9001</b>	Aguaprieta pipeline (construction and operations)	Luz del Sur
	Chilquinta Energía	Naco compressor station
	Ecogas	Rosarito pipeline
	Energía Costa Azul	Termoeléctrica de Mexicali
	Energía Sierra Juárez	Transportadora de gas natural pipeline
<b>ISO14001</b>	Aguaprieta pipeline (construction and operations)	Naco compressor station
	Chilquinta Energía	Rosarito pipeline
	Energía Costa Azul	Termoeléctrica de Mexicali
	Energía Sierra Juárez	Transportadora de gas natural pipeline
	Luz del Sur	
<b>OSHAS18001</b>	Aguaprieta pipeline (construction and operations)	Naco compressor station
	Edecañete	Rosarito pipeline
	Energía Costa Azul	Termoeléctrica de Mexicali
	Luz del Sur	Transportadora de gas natural pipeline
<b>ISO22302-2012</b>	Energía Costa Azul	

\*This list does not include any certifications from government agencies.

We use an enterprise-wide data system to collect, aggregate and analyze environmental, social and governance (ESG) data. We use this data to monitor performance and establish and track progress against goals - critical to Sempra Energy's continuing efforts to improve the sustainability of our company.

## SUPPLIER SELECTION AND MONITORING

Supplier selection and monitoring\* is an important aspect of risk management at Sempra Energy. Our businesses must provide reliable energy and energy services to their customers. They need suppliers that can deliver essential equipment, parts and services - even in adverse conditions.

Procurement procedures and policies guide our businesses as they select and monitor suppliers and business partners. We are committed to using local suppliers, when feasible. Working with a wide range of suppliers (small, mid-sized and large companies; new as well as more established companies; and companies with operations in different locations) helps ensure system reliability, and results in better service and lower costs.

Once a supplier has been selected, supply chain managers monitor performance to assess whether each supplier delivers goods or services as expected and whether their operations are in alignment with Sempra Energy's values and standards. This includes acting with integrity; complying with applicable laws and regulations (including anti-bribery and anti-corruption laws); achieving strong health and safety performance; respecting employee rights; and minimizing impacts on the environment. We provide each of our suppliers with a copy of our Supplier Code of Business Conduct, which is also posted on [sempra.com](http://sempra.com).

To complement the work of supply chain managers, our Audit Services group conducts supplier audits, reviewing safety procedures and performance; training programs; subcontracting policies; and other areas.

Information on how to do business with Sempra Energy companies can be found on [sempra.com](http://sempra.com).

*\*Information on the impact of our supply chain may be found on pages 42 and 43.  
Information on our utilization of Diverse Business Enterprises may be found on page 61.*



Our businesses need suppliers that can deliver essential equipment, parts and services - even in adverse conditions.

# THE ENVIRONMENT



There is growing demand for clean-transportation infrastructure.

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At Sempra Energy, we recognize that there is growing demand for clean energy in markets throughout the world.

This includes demand not only for the generation and delivery of cleaner electricity and natural gas, but also for the development of clean-transportation infrastructure - and for the technology and services that make it all possible.

Our core business activities and investments are focused in these areas, allowing our company to meet customer needs while supporting long-term growth for shareholders. Our sustainable business strategy is outlined on page 14.

## Climate change

Climate change has had - and will continue to have - a significant impact on our business and on the people and communities we serve.

We've been developing low-carbon energy infrastructure and reducing emissions across our portfolio for more than a decade. We will continue to promote energy efficiency; grow our capacity to deliver low- and zero-carbon energy infrastructure; and explore innovations that have the potential to transform the energy marketplace.

In June 2017, we set a goal to achieve a power-generation emissions rate of 35 percent below our 2010 baseline by 2021. And we will continue to work to find ways to reduce our emissions and make other changes to prepare for a future in which lower-carbon energy will be in even greater demand.

## CLIMATE-RELATED RISKS

A changing climate has regulatory, operational and reputational impacts on our business.

Management of climate-related risks is integrated into the company's overall approach to risk, described on page 23. To evaluate these risks, we look at different scenarios including the impact of regulatory frameworks and the introduction of technologies that could lead to market changes. We also consider different scenarios related to changes in the physical environment, including models of sea-level rise and extreme weather events. Further discussion of climate-related risk can be found on pages 29-30.

**Regulatory climate risk:** Sempra Energy's businesses are subject to rules and regulations aimed at limiting greenhouse gas emissions.

We must obtain permits, licenses, certificates and other approvals to operate our businesses and disclose our environmental impact. Failure to comply with these requirements could subject us to substantial penalties and fines - and might result in the significant curtailment of operations.

Our low-carbon portfolio of efficient natural-gas fired power plants and solar and wind facilities has helped to limit our exposure to these risks. We also engage with policymakers, industry groups and other stakeholders to determine ways we can further reduce our emissions. You can learn more about our approach to policy engagement on page 22 and read our position on U.S. energy policy at [sempra.com](http://sempra.com).

**Operational climate risk:** Rising temperatures, drought conditions, increased frequency of extreme weather and sea-level rise can all impact our operations.

We are increasing our resilience and preparing for longer-term impacts of climate change by incorporating climate projections into our planning process. This includes determining the impact of rising temperatures on the efficiency and durability of natural gas and electric infrastructure; understanding how sea level rise and floods might impact our facilities; and evaluating the potential for more severe drought conditions and increased wildfire frequency.



Fowler Ridge 2 wind farm in Benton County, Ind.

We are mitigating these risks by strengthening our infrastructure. This includes repositioning some electric lines underground; converting certain power poles from wood to steel; working to mitigate the risk of wildfires by keeping trees properly trimmed and shutting off power to some areas when certain high-risk conditions occur; monitoring and predicting the weather with SDG&E's meteorologists and its extensive system of weather stations; reducing our reliance on fresh water due to water scarcity in the Southwestern United States; preparing the people and communities we serve for emergencies or other climate-related contingencies; and training our employees.

**Reputational climate risk:** At Sempra Energy, we set clean energy targets. We implement energy-efficiency incentives and technologies to help our customers use less energy, reducing their emissions and costs. We also work to operate our infrastructure safely and efficiently.

Our reputation could suffer if we miss these targets; if new technologies do not perform as expected; or if we encounter unforeseen challenges as we integrate new types of energy into the grid (renewables, storage and customer-generated energy).

We mitigate these risks by setting prudent targets; by investing in a wide range of technologies; and by encouraging regulators to fairly allocate the costs associated with integrating new types of energy into the grid.

We outline climate-related risks and opportunities, in-depth, in our CDP (formerly the Carbon Disclosure Project) response, available at [www.cdp.net](http://www.cdp.net).

## CLIMATE-RELATED OPPORTUNITIES

The changing climate also creates significant opportunity for growth. Climate-related regulatory requirements give our utilities the opportunity to earn a rate of return as they enact new customer programs, implement system upgrades or develop low-carbon infrastructure. Our infrastructure businesses have the opportunity to meet growing demand - from individual customers, businesses and entire countries - for lower-carbon energy.



Mesquite Solar in Tonopah, Ariz.



LNG liquefaction facilities should help meet growing international demand for this lower-carbon fuel.

We will continue to grow our capacity to deliver low- and zero-carbon energy.

Opportunities include:

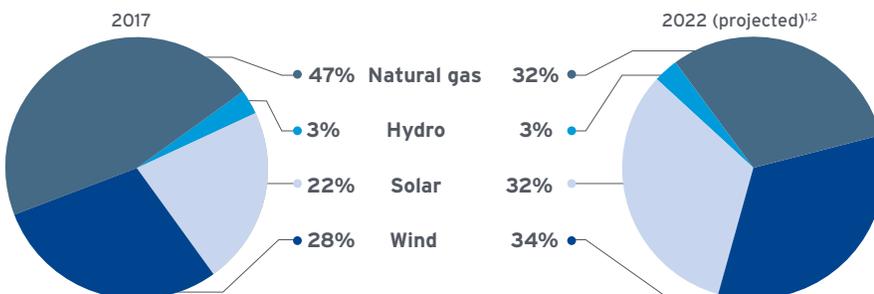
**Transporting natural gas:** Natural gas is the cleanest fossil fuel and is increasingly available and affordable. Our Mexican subsidiary, IEnova, develops and operates natural gas pipelines that meet the needs of industrial users and power generators in Mexico.

**Liquefying natural gas:** In collaboration with partners, Sempra LNG & Midstream is developing LNG liquefaction facilities that will help to meet growing international demand for this lower-carbon fuel.

**Operating natural gas-fired power plants:** There is a strong business case for building and operating natural gas-fired power plants instead of coal-fired power plants. Natural gas-fired power plants are not subject to the same regulatory risk as coal-fired plants, in part because natural gas has roughly half the emissions of coal. Our businesses own and operate five natural gas-fired power plants. Sempra Energy has not owned coal-fired generation assets for more than a decade.

**Developing and operating renewable energy assets:** Utilities and individual businesses are demanding more renewable energy to meet state-imposed mandates and address customer concerns. Our businesses are positioned to help meet this demand. Since 2008, we have developed or invested in projects in North America that can produce nearly 3,000 megawatts of renewable energy. We anticipate that projects capable of generating an additional 541 megawatts of renewable energy will begin operation by year-end 2022.

### Sempra Energy generating capacity by energy source



<sup>1</sup> Includes all generation capacity planned or under construction as of June 15, 2018.

<sup>2</sup> Data does not add to 100 percent due to rounding.

**Purchasing and delivering cleaner energy:** By delivering cleaner energy to their customers, our utility businesses are responding to the demands of the marketplace - and meeting regulatory requirements. Approximately 45 percent of the energy SDG&E delivered to its customers came from renewable sources in 2017, far exceeding the “33 percent by 2020” requirement. State law now requires that utilities achieve 50 percent renewable energy by 2030.

**Improving efficiency:** By improving operational efficiency, our regulated businesses may earn a rate of return while also decreasing emissions. For example, SoCalGas has received CPUC approval for a multi-billion-dollar Pipeline Safety Enhancement Plan (PSEP), which will improve the safety and efficiency of its natural gas distribution system. Improving customer energy efficiency is also a business opportunity: Our utilities receive incentives when their customers achieve certain energy efficiency targets.

**Building clean transportation infrastructure:** Regulators and policymakers in California have made it a priority to increase the number of alternative-fueled vehicles in the state. After receiving regulatory approval in 2016, SDG&E began installing 3,000 electric-vehicle charging stations in 2017 at 300 locations in its service territory. The utility is now seeking approval to install tens of thousands of additional charging stations. Likewise, SoCalGas is developing the infrastructure that supports the use of natural gas as a low-carbon fuel source. There are now 320 compressed natural gas (CNG) fueling stations in SoCalGas service territory.



Batteries can store and then release energy during periods of high demand.

## Energy storage multiplies the benefit of renewable energy

In April 2017, San Diego Gas & Electric announced that it had signed contracts for five new local battery storage facilities for a total of 83.5 megawatts, equal to the battery storage capacity of more than 5,500 long-range electric vehicles.

Once complete, the batteries will improve the flexibility and resilience of the electric distribution system. They will store solar, wind and traditionally generated energy, then release it during periods of high demand when the energy is needed. As an example, the amount of wind power generated in California typically peaks in the very early morning hours. By storing this energy, then releasing it later in the day, these storage facilities make wind power more practical and financially viable.

The California Public Utilities Commission (CPUC) has set a target for SDG&E to procure 165 megawatts of energy storage by 2020. With these new projects, SDG&E is on track to meet this goal.

**Integrating new technologies and programs:** Our utilities can improve the customer experience when they add new technologies or implement new programs. For example, smart-grid technologies make it easier for customers to use advanced meters, smart devices and electric vehicles. Time-of-use programs give customers the incentive to shift energy use to times when demand and rates are low. These types of improvements increase system efficiency and decrease emissions. They also give customers the power to make personal choices about their own energy use, including choices influenced by climate-related concerns.

By delivering cleaner energy, our utility businesses are responding to the demands of the marketplace, and meeting regulatory requirements.

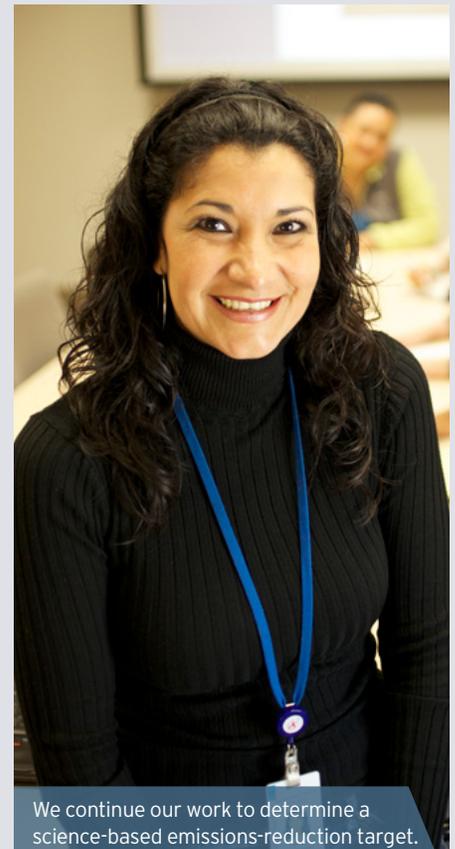
## Climate-related metrics and targets

Sempra Energy's annual corporate sustainability report includes year-over-year performance in greenhouse gas emissions, environmental compliance and water use. Where possible, we include industry averages to provide context for our performance.

We have made progress in reducing our greenhouse gas emissions and in increasing the amount of low-carbon energy in our power generation portfolio:

- By 2021, we intend to achieve a power-generation emissions rate of 35 percent below our 2010 baseline.
- Our power generation portfolio is 50-percent emissions-free. By 2022, it is projected to be 69-percent emissions-free.
- Our power-generation emissions rate (pounds of CO<sub>2</sub> per megawatt hour of energy generated) is roughly half the U.S. national average.
- Approximately 45 percent of the electricity SDG&E delivered to its customers in 2017 was from renewable energy sources - the utility is on track to meet the California target of 50 percent-renewable by 2030.
- Only 1 percent of our water was withdrawn from freshwater sources; 7 percent was withdrawn from recycled/reclaimed sources; and 92 percent was withdrawn from seawater sources.

We continue to work to determine a science-based emission-reduction target that would allow us to contribute to efforts to limit global temperature rise to 2 degrees Celsius, compared with pre-industrial temperature levels.



We continue our work to determine a science-based emissions-reduction target.



## The future of natural gas

Around the world, demand for clean natural gas is increasing as countries transition away from more emissions-intensive coal and oil. Sempra Energy's work in LNG liquefaction should help to meet this demand for decades to come.

In the U.S., natural gas is a foundational fuel source, used in cooking, heating and power generation.

Natural gas is also being used to fuel trucks, busses and passenger vehicles; and to operate fuel cells that provide on-site power. The natural gas distribution system can even be used to store renewable natural gas as well as renewable energy.

In our interactions with regulators, legislators and our customers, we are continuing to emphasize the key role that natural gas plays today - and the potentially transformational role that it can play well into the future.

## Emissions

In 2017, Sempra Energy's scope 1 and scope 2 emissions<sup>1</sup> were approximately 5.4 million metric tons of carbon-dioxide equivalent, also known as CO<sub>2</sub>e. This represents a year-over-year increase of about 4 percent<sup>2</sup>, due, in part, to our inclusion, for the first time, of additional emissions from our operations in Chile and Peru.

Sempra Energy's 2017 scope 3 emissions (emissions not directly associated with our operations) were approximately 55.1 million metric tons of CO<sub>2</sub>e. This figure includes emissions from the generation of electricity that SDG&E, Luz del Sur and Chilquinta Energía purchased and delivered to their customers; emissions from our customers' combustion of natural gas delivered to them by our SoCalGas, SDG&E and Ecogas utilities; and emissions from employee air travel. Our reported scope 3 emissions do not include upstream emissions from natural gas production wells.

As required by state law, our California utilities purchase emissions allowances and offsets to cover emissions from power plants, natural gas compressor stations, purchased power imported from out of state and customer use of natural gas. When feasible, the utilities purchase offsets within California.

Natural gas-fired power plants operated by Sempra Energy businesses represent our most significant source of direct (scope 1) greenhouse gas emissions. In 2017, our overall emissions rate (natural gas-fired power plants and renewable generation) was 484 pounds of carbon dioxide per megawatt-hour of electricity generated. We hope to continue to make progress toward our goal to achieve an emissions rate below 475 pounds per megawatt hour by 2021.

Fugitive emissions (natural gas/methane emissions from leaks or other types of unintended or irregular releases) are our second most significant type of greenhouse gas emissions, behind emissions from our natural gas-fired power plants. In 2017, fugitive emissions accounted for 94 percent of our methane emissions. Process emissions accounted for the remaining 6 percent of our methane emissions. Our companywide methane emissions were 1.7 million metric tons of CO<sub>2</sub>e<sup>3</sup> metric tons from SoCalGas; 97,000 metric tons from SDG&E; and 65,000 metric tons from our other businesses.

We continue to work to determine a science-based emission-reduction target that would allow our company to contribute to efforts to limit global temperature rise to 2 degrees Celsius, compared with pre-industrial temperature levels.

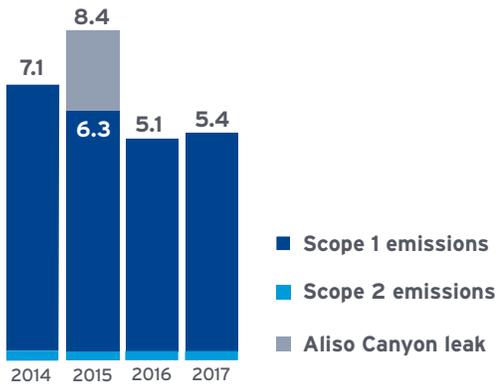
<sup>1</sup> Scope 1 emissions are from sources owned or controlled by the reporting company. Scope 2 emissions represent emissions from electricity, heating/cooling or steam purchased by the reporting company and used in its operations in addition to emissions from electricity lost during transmission and distribution.

<sup>2</sup> The year-over-year change does not include emissions from the Aliso Canyon natural gas leak, which are included in our 2015 data.

<sup>3</sup> Regulators may use different global warming potentials for methane, which could produce different methane emissions data.

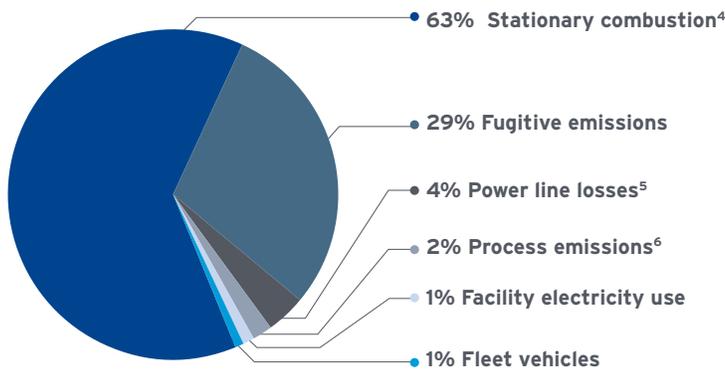
### Scope 1 and 2 greenhouse gas emissions<sup>1,2,3</sup>

Million metric tons of CO<sub>2</sub> equivalent



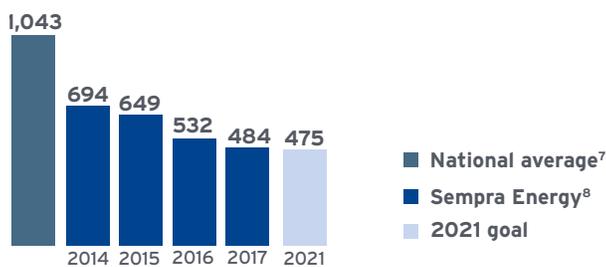
Natural gas-fired power plants represent our most significant source of direct greenhouse gas emissions.

### Scope 1 and 2 greenhouse gas emissions by source<sup>1,2</sup>



### CO<sub>2</sub> emissions rate for power generation<sup>1, 2</sup>

Pounds of CO<sub>2</sub> per megawatt-hour



<sup>1</sup> In 2017, we are reporting additional sources from Chile and Peru that were not included in prior years.

<sup>2</sup> Emissions data for 2017 are undergoing third party verification and may be updated. Emissions data for 2016 have been updated following an independent verification.

<sup>3</sup> The leak at the Aliso Canyon storage facility resulted in the loss of approximately 4.62 billion cubic feet of natural gas. Using the 100-year global warming potential (GWP) value of 25 for methane, this represents approximately 2.1 million metric tons of CO<sub>2</sub> equivalent. This GWP comes from the Fourth Assessment Report of the Intergovernmental Panel on Climate Change and is consistent with the GWP used for estimates produced by the California Air Resources Board. We remain committed to mitigating the natural gas lost.

<sup>4</sup> Emissions primarily from our natural gas power plants.

<sup>5</sup> Emissions from the generation of electricity that we lose during transmission and distribution.

<sup>6</sup> Emissions from physical or chemical processes related to combustion.

<sup>7</sup> Source: U.S. Energy Information Administration Electric Power Annual 2016.

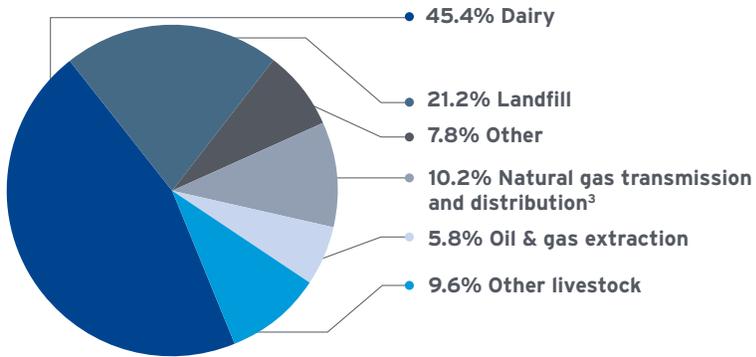
<sup>8</sup> Emissions rate of Sempra-owned generation on an equity share basis. Data from 8-megawatt Chilquinta Energía plant is not included.

## METHANE EMISSIONS

Our California utilities have a long-standing commitment to reduce their methane emissions. SoCalGas operates the largest natural gas distribution system in the United States -- it is also one of the most efficient as it has one of the lowest methane emissions rates in the country. Together, the SoCalGas and SDG&E natural gas distribution systems are responsible for approximately 4 percent of California's total methane emissions.

All our utility operations in the United States follow the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) regulations for infrastructure monitoring and testing. In California, recent changes in state law specify 26 best practices for leak prevention, detection and repair. SDG&E and SoCalGas continue to find ways to further reduce their methane emissions, including more frequent leak surveys, faster leak repair times and improved quantification technologies to prioritize leak repair.

### Sources of methane in California (2015)<sup>1,2</sup>



<sup>1</sup> Data is from 2015. In order to represent a typical year of emissions, emissions resulting from the Aliso Canyon leak are not included.

<sup>2</sup> Other includes methane emissions from rice, wastewater and other industrial sources.

<sup>3</sup> 3.6 percent is attributable to SoCalGas and SDG&E.

Many new and ongoing activities support the reduction of methane emissions. (See sidebar on page 54 for an additional example.)

- We conduct leakage surveys and monitor natural gas storage operations using the latest advanced monitoring technologies including drones, fiber optic cable and point sensors. In fact, in some of our operations, advanced meters can measure and prevent leaks on the customer side of the meter.
- During pipeline testing, we capture natural gas that would otherwise be released into the atmosphere. This practice prevented the release of more than 1,000 tons of CO<sub>2</sub>e in 2017.
- We eliminated all cast-iron pipe from our natural gas distribution system more than 20 years ago - and today we prioritize the replacement of pipelines that do not have current corrosion prevention technologies.

- SoCalGas is working with partners to capture renewable natural gas (natural gas from the decomposition of organic material) at locations throughout its service territory. This is preferable to allowing the gas to enter the atmosphere. This natural resource could supply up to 20 percent of California's residential gas customers.
- A new state law requires that California's investor-owned utilities implement five pilot projects to capture methane emissions from California's dairy operations (which are responsible for approximately 45 percent of the state's methane emissions) and feed them into the natural gas distribution system.
- SoCalGas is piloting a power-to-gas system that uses surplus renewable energy to create carbon-free hydrogen gas. By adding hydrogen gas to the natural gas system, we can reduce the system's overall emissions. The U.S. Department of Energy has provided funding for this effort, and other major gas and electric utility companies have expressed interest in joining the project team.

The methane emissions data that we report do not reflect methane emissions reductions that we have achieved. This is because, for reporting purposes, methane emissions are estimated using emissions factors that represent different types of gas utility infrastructure. These estimates do not account for reductions achieved through activities such as enhanced leak detection or the capture of methane associated with pipeline testing or dairy operations.

## Aliso Canyon update

In October 2015, SoCalGas discovered a leak at one of its injection and withdrawal wells at its Aliso Canyon natural gas storage facility. The leak was sealed in February 2016. It resulted in the loss of natural gas equivalent to approximately 2.1 million metric tons of CO<sub>2</sub> equivalent. Sempra Energy regrets any impacts this incident may have had on the environment, our customers and the communities we serve. We remain committed to mitigating the natural gas lost.

In 2017, the California Public Utilities Commission and the California Department of Conservation's Division of Oil, Gas, and Geothermal Resources confirmed that the Aliso Canyon natural gas storage field is safe to operate. Independent third-party experts continue their analysis to determine the root cause of the leak.

In support of continued safety, SoCalGas worked to implement rigorous monitoring, inspection and safety requirements at Aliso Canyon. These include:

- Continuous pressure monitoring of all wells;
- Twice-a-day visual inspections of each well;
- A daily infrared thermal imaging scan of each well;
- Operation of the fence-line methane monitoring system; and
- Community engagement through a Community Advisory Council.



SoCalGas serves 21.8 million consumers.

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Fresh water represents just one percent of our total water withdrawal.

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## Water

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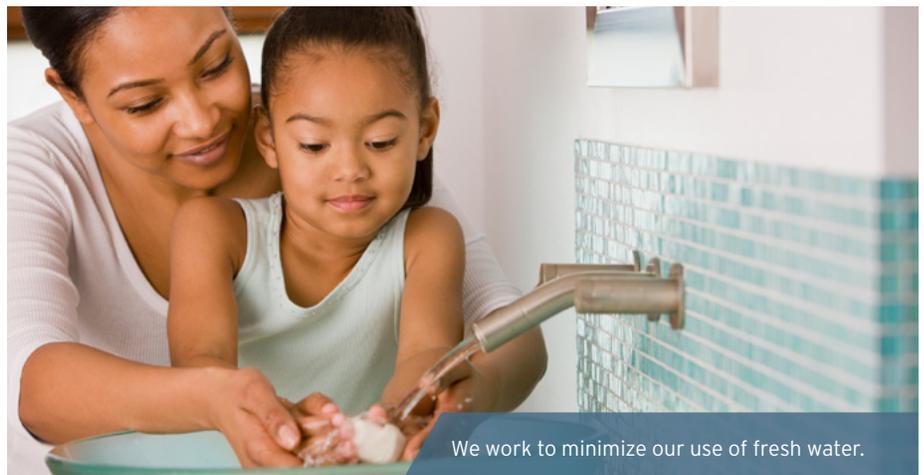
Our operations require billions of gallons of water, primarily to regasify LNG and cool our power plants. We minimize our use of fresh water, particularly in areas where water availability is a concern. Our water policy may be found at [sempra.com](http://sempra.com).

In 2017, Sempra Energy and its businesses withdrew 28.9 billion gallons of water: 26.6 billion gallons of salt/brackish or seawater, primarily used to support LNG operations; 2 billion gallons of reclaimed or recycled water, primarily used to support power generation operations; and 354 million gallons of fresh water, primarily used in employee-occupied facilities and to support our Midstream operations. Our water withdrawal increased by 32 percent year-over-year, primarily due to increased operations at our LNG facilities in Mexico. Fresh water represents just one percent of our total water withdrawal.

We returned 92 percent of the water we withdrew to the source.

We have minimized our need for fresh water in our power generation operations by using dry-cooling technology and reclaimed or recycled water:

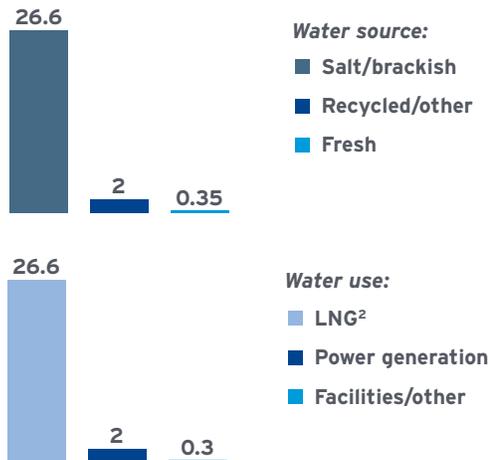
- SDG&E's 566-megawatt Palomar Energy Center in Escondido, Calif., uses reclaimed water (treated wastewater) in the electric generation process. This saved 696 million gallons of fresh water in 2017.
- SDG&E's 480-megawatt Desert Star power plant near Boulder City, Nev., uses dry-cooling, which requires only 10 percent of the water used by traditional wet-cooled power plants.
- IEnova's 625-megawatt Termoeléctrica de Mexicali power plant in Mexicali, Mexico, uses treated sewage, cleaned in our own water treatment facility, to cool the plant. As a result, we saved more than 1.3 billion gallons of fresh water in 2017.



We work to minimize our use of fresh water.

## Water withdrawal by source and use<sup>1</sup>

Billions of gallons



<sup>1</sup> While we continue to improve data collection related to water use, these numbers do not yet account for all aspects of our operations, including natural gas pipeline testing at our California utilities.

<sup>2</sup> LNG operations do not have a significant impact on water supplies, because the vast majority of this water is withdrawn from and returned to the ocean.

## Waste and recycling

At Sempra Energy, we reduce our waste, reuse materials, and find ways to safely extend the life of equipment. Employee-focused recycling and waste-reduction programs help accomplish these objectives.

In 2017, Sempra Energy and its businesses generated and disposed of nearly 103,000 tons of waste. Our waste and recycling programs diverted nearly 5,250 tons of material from landfills, generating more than \$1.7 million in revenue. Electric transformers, meters and other metals constituted nearly 60 percent of this total by weight.

In 2017, we generated 2,456 tons of hazardous waste. Hazardous materials teams manage hazardous material storage, recycling, transportation and/or disposal to ensure compliance with applicable laws. We are committed to reducing hazardous waste, and expect to see significant reductions over time. The amount of hazardous waste we generate fluctuates from year to year as we complete the clean-up of historic manufactured gas sites and replace other energy infrastructure.

Sempra Energy utilities encourage customers to switch to paperless billing (e-billing) to reduce the amount of paper we use. As of December 31, 2017, 3.3 million, or more than 35 percent, of our customers have opted for paperless billing.

## Environmental compliance

Every Sempra Energy business is accountable for following all applicable environmental regulations and laws, and for obtaining required permits and fulfilling the requirements of such permits. Environmental compliance programs include detailed plans; extensive training and monitoring; and performance evaluation and certification.

In 2017, our businesses made \$92 million in capital expenditures to comply with environmental laws and regulations. This included costs to mitigate or help prevent future environmental contamination or extend the life, increase the capacity, or improve the safety or efficiency of existing operations.

In 2017, 96 percent of all agency inspections resulted in no notice of violation (NOV). We received 24 NOVs and paid \$29,601 in fines and penalties, not including settlements. Twelve of the NOVs were related to permitting and reporting; five were related to air quality and emissions; two were related to waste; and the remaining five were related to unauthorized vegetation removal, construction materials staged in non-designated areas, noise or multiple issues. Compliance personnel at our businesses review, respond to, correct or challenge the NOVs they receive.

### Environmental compliance

	2014	2015	2016	2017
Agency inspections	443	563	638 <sup>1</sup>	604
Internal compliance assessments and audits <sup>2</sup>	422	422	325	386
Notices of violation (NOV) <sup>3</sup>	10	22	22	24
Percentage of agency inspections with no NOV issued	98	96	97	96
Fines and penalties <sup>4</sup>	\$1,810	\$50,343	\$9,012	\$29,601

<sup>1</sup> Agency inspections increased after the leak at SoCalGas' Aliso Canyon natural gas storage field.

<sup>2</sup> The number of internal compliance assessments and audits may vary from year to year due to adjustment of inspection cycles as determined by risk assessments.

<sup>3</sup> Self-reported violations are not included.

<sup>4</sup> Does not include settlements. Amount varies from year to year depending on the nature of the violation and the timing of its resolution.



## Biodiversity

At Sempra Energy, we are committed to protecting and preserving biodiversity in the areas where we do business, and have preserved thousands of acres of land in perpetuity.

We work to meet or exceed the requirements of laws and regulations related to biodiversity. Our [biodiversity policy](#) articulates how we integrate biodiversity considerations into the planning, construction and operation of energy facilities, balancing the protection of sensitive plant and animal life with our needs as a business. We also work with independent organizations to verify sustainable practices related to land use and biodiversity.

Our California utilities operate in areas of great biodiversity. In fact, San Diego County has the highest degree of biodiversity in the continental U.S. Utility employees work with agencies such as the U.S. Fish and Wildlife Service and the California Department of Fish and Wildlife to implement permits that establish protocols and “no net loss” targets to protect sensitive animal species and plants and preserve sensitive habitats. Utility employees identify potential topics of concern, and document site conditions and risks before they begin work at company-owned facilities in environmentally sensitive areas. Agency teams research and verify site conditions, assessing impacts at company-owned or -impacted properties.

## Encouraging energy efficiency through our utilities

California is the state with the second-lowest per capita energy consumption in the U.S., in part because California regulators provide incentives for utilities to achieve energy-efficiency goals. By improving energy efficiency, the state has avoided the need to build additional power generation facilities.

SDG&E and SoCalGas work with their residential, business and industrial customers to determine ways they can save energy and reduce their energy bills. In 2017, energy-efficiency programs saved 482,000 megawatt-hours of electricity, enough to power more than 80,000 homes for a year; and 42 million therms of natural gas, enough to serve more than 80,000 homes for a year. (Since 1990, these efforts have saved 6.8 million megawatt hours of energy, and nearly 650 million therms of natural gas.)

In Chile, our Chilquinta Energía business continued its energy efficiency program named “Iluminados.” Customers in the cities of Valparaiso, Quilpué and Villa Alemana can have advanced meters installed in their homes or businesses - and can exchange older inefficient refrigerators for a reduced price on a new, more efficient (A+ or A++ rated) refrigerator. Nearly 400 customers have benefited from Iluminados, achieving an average energy savings of 15 percent per household.



We work with customers to determine ways they can save energy.

Our biodiversity policy articulates how we balance the protection of sensitive plant and animal life with our needs as a business.



As part of the Cameron LNG project in Hackberry, La., Sempra LNG & Midstream worked with partners to use dredged material to enhance or create more than 1,200 acres of marshland habitat, well beyond the mitigation required by project permits. Similar plans are in place at the proposed Port Arthur Liquefaction Project in Port Arthur, Texas. Both efforts will have a significant and positive impact on biodiversity.

At IEnova, the company's Marine Mammals Monitoring Program (MMMP) provides another example. The program was established in 2003 in collaboration with the Ensenada Center for Scientific Investigation and University Studies (CICESE) and the Autonomous University of Baja California (UABC) prior to the start of construction of the Energía Costa Azul (ECA) liquefied natural gas terminal, and continues to this day. The MMMP has determined, over the years, that ECA has not had any adverse impact on gray whale migration. The program also monitors other marine mammals present in the area.

## Supply chain impacts

Sempra Energy's most significant supply chain\* impacts occur at the companies who supply us with electricity and natural gas.

In 2017, of the electricity they delivered, SDG&E purchased 76 percent; Chilquinta Energía purchased 100 percent; and Luz del Sur purchased 95 percent.

Our businesses purchase, store, transport and distribute natural gas. We do not extract, or produce, natural gas in any significant quantities. Rather, we obtain natural gas through short- or long-term contracts that specify the source of the gas - as well as from supply aggregation points, exchanges and electronic bulletin boards that do not specify the source of the gas.

\*Supplier selection and monitoring is on page 27; Supplier diversity is on page 61.

Given the complexity of the natural gas supply chain, Sempra Energy advocates for a consistent set of standards to help ensure that all natural gas producers are operating to a standard that protects consumers, the environment, the energy industry and our nation’s access to this abundant supply of domestic energy. This approach to responsible natural gas production is described in our [environmental policy](#).

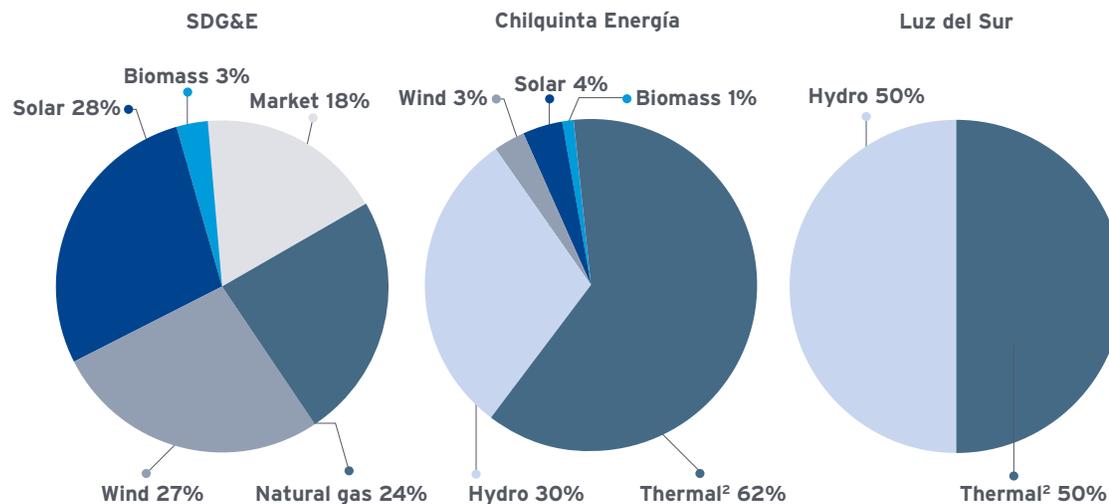
Significant supply chain impacts also occur at the construction companies and manufacturers with whom we do business.

Thousands of suppliers provide goods and services (beyond electricity and natural gas) to Sempra Energy and its businesses. They provide pipelines and cable to deliver natural gas and electricity; steel and wood for electric towers and poles; meters to measure customer usage; and office supplies and equipment. They also provide tree trimmers, construction workers, security guards, accountants and other professionals.

What impact do our suppliers have on the environment? And how can we encourage them to minimize this impact?

At our California utilities, prospective suppliers bidding on requests for proposals (RFPs) over a specific dollar amount are required to answer sustainability-related questions, and their responses are factored into the decision-making process. We continue to work to find new ways to help suppliers reduce their impact on the environment.

### Purchased power<sup>1</sup>



<sup>1</sup> Purchased power does not include power that the utility generated and delivered to its customers.

<sup>2</sup> Contracts with fuel sources that include natural gas, coal or diesel are collectively referred to as thermal.

# OUR STAKEHOLDERS



Our goal is to have a positive impact on those we serve.

## **Economic impact** 44

The United Nations' sustainable development goals

## **Employees** 46

Engagement  
Safety  
Employee benefits and wellness  
Diversity and inclusion  
Human capital development  
Labor relations

## **Customers and communities** 52

Engagement  
Human rights  
Public safety  
Energy affordability  
Reliability  
Philanthropy and community involvement

## **Business partners & suppliers** 61

## **Regulators** 61

## **Investors and shareholders** 61

At Sempra Energy, our goal is to have a positive impact on those we serve. We are inspired by the opportunity to meet the needs of investors, employees, customers and community members each and every day.

Strong stakeholder relationships allow us to do business. We listen to stakeholder suggestions, respond to their concerns, and incorporate their ideas and suggestions when possible. As we earn their trust, we are able to operate in a more stable and predictable business environment.

## **Economic impact**

Sempra Energy generates billions of dollars of economic value every year. Our financial performance matters not just to our employees and shareholders, but also to our suppliers, contractors, customers and the communities we serve. This is because the economic value we create is distributed to these stakeholders in the form of wages and benefits; payments for operating costs; dividends to shareholders; payments to governments in the form of fees or taxes; and contributions to community organizations. In 2017, Sempra Energy generated direct economic value\* of more than \$11 billion, of which \$9.1 billion was distributed to stakeholders.

\*Economic value figures were determined according to the guidelines provided by the Global Reporting Initiative.

## THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

At Sempra Energy, our focus is on meeting the needs of our stakeholders. However, we also recognize our responsibility to the broader world. What we do - the energy we produce and the services we provide - should help to improve our world. This gives purpose to what we do each day.

In 2015, the United Nations (U.N.) released its 2030 Development Agenda which included 17 sustainable development goals (SDGs). These goals are a call to action - to states, businesses and individuals - to protect the planet and improve the human condition. Some SDGs describe challenges that companies like Sempra Energy can help address.

In 2017, we mapped our company's efforts against the U.N. SDGs and found alignment in several areas. Please see the chart below for details.

### U.N. Sustainable development goals

Sustainable development goal (SDG)	Sempra Energy's contribution
<b>4 - quality education</b>	Providing support for education and youth leadership allows us to build relationships with educational institutions, critical for talent attraction and retention.
<b>7 - affordable and clean energy</b>	We develop and operate low- and zero-carbon energy infrastructure. We encourage our customers to use energy more efficiently. We provide bill assistance programs to customers who qualify.
<b>8 - decent work and economic growth</b>	We develop the job skills of our own workforce, and provide financial support to community organizations which provide job training and educational opportunities to under-served populations where we do business.
<b>9 - industry, innovation and infrastructure</b>	We develop and operate low- and zero-carbon energy infrastructure. For example, our work in LNG liquefaction should help make lower-carbon natural gas available to markets worldwide.
<b>12 - responsible consumption and production</b>	We work to improve efficiency in our operations. Our emissions rate for power generation is half the U.S. national average. We provide customers with information and tools they can use to make their consumption of energy more responsible. We report on our own sustainability performance each year.
<b>13 - climate action</b>	Our approach to risk management includes climate change. We make our infrastructure more resilient to climate-related impacts. We prepare our employees and the communities we serve for climate-related events and help them recover after such events occur.



### The economic impact of Copper Mountain Solar Complex

Sempra Renewables' flagship Copper Mountain Solar Complex, located in Boulder City, Nevada, is one of the largest photovoltaic solar facilities in the U.S. It is capable of generating more than 550 megawatts of clean energy.

A study from the University of Nevada, Reno, released in 2017, showed that the complex should produce economic benefits estimated at nearly \$2.5 billion to the state's economy over a 20-year period. Construction of the complex created both construction and operations jobs, with wages far above the state average. And more than \$290 million of benefits will go to a variety of agencies, including Boulder City, Clark County, Clark County School District, Boulder City Library District, Las Vegas Convention and Visitors Authority and the State of Nevada.

## Employees

Sempra Energy's 20,000\* employees serve approximately 43 million\* consumers worldwide. When our employees are trained, challenged and empowered to take initiative, our business thrives.

### ENGAGEMENT

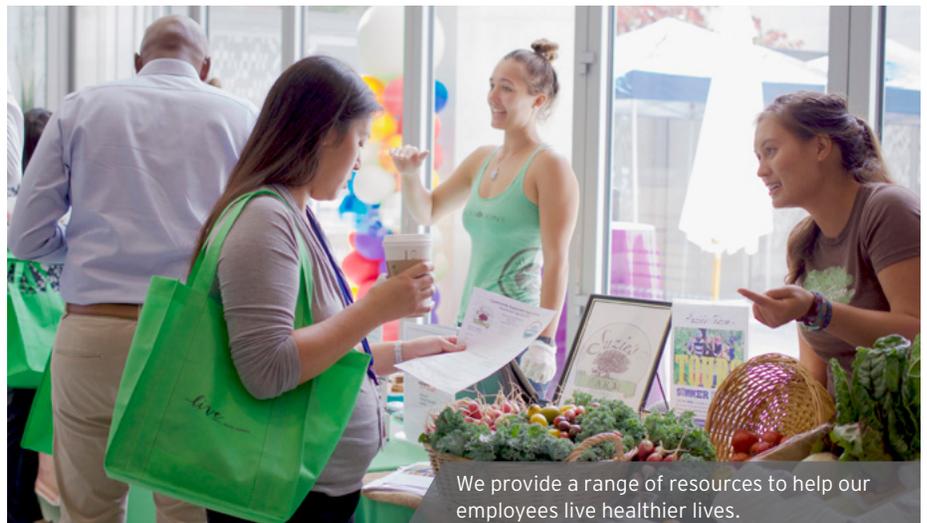
What determines how our employees work; whether they want to stay at Sempra Energy; and whether they recommend our company as a desirable place to work?

Employee engagement is a combination of satisfaction, loyalty and pride. Every other year, our employees are asked to complete a survey to assess their engagement. A third party administers the confidential survey. Supervisors who have five or more direct reports receive results for their group or department. To protect employee identity, supervisors with fewer than five direct reports receive only the results from the broader group to which they belong.

Company leaders seriously consider survey results and develop and implement action plans to bring about needed improvements.

Results from the 2017 survey indicated strong engagement. Eighty-seven percent of employees completed the survey. Eighty-two percent of respondents stated they "agree" or "strongly agree" with the statement "Overall, I am extremely satisfied with this company as a place to work." In 2017, Sempra Energy was the top company in its sector for employee engagement, according to the Drucker Institute's "Management Top 250" rankings.

*\*These numbers include Oncor. We will include performance data for Oncor in our 2018 corporate sustainability report.*



Although our overall employee engagement scores have remained high, we have seen a slight decline in certain areas. To address this and demonstrate our commitment to engagement, we have:

- Implemented a communications plan that is designed to share the management team's overall strategic goals and priorities with employees.
- Followed up with employees at each business on actions taken in response to survey results. These include: more clearly differentiating individual compensation awards (bonuses) based on individual performance; providing additional opportunities to recognize excellent employee or team performance; expanding employee parking options; and even revisiting cafeteria prices.
- Launched a new leadership development program to provide interested employees with a clearer career development path. (Additional detail on this program may be found in the sidebar on page 51.)

In 2017, Sempra Energy was the top company in its sector for employee engagement, according to the Drucker Institute's "Management Top 250" rankings.

## SAFETY

At Sempra Energy, we are not satisfied unless each employee and contractor returns home safely after every workday. We encourage a safety-focused culture in which everyone feels responsible for their own safety as well as the safety of their co-workers.

In 2017, our employee safety performance continued to improve. We had no employee fatalities and no contractor fatalities; we also achieved decreases in both the rate of recordable injuries and illnesses and the rate of injuries that resulted in time away from work.

The most common employee injuries at Sempra Energy's businesses are body sprains and strains. We work to minimize these types of injuries through specific training programs on body mechanics and ergonomics. We also focus on safety during pre-work briefings before crews head out to the field. At safety stand-downs, we review safety lessons learned.

Employees share safety best practices, near-misses, alerts and messages both within and across our businesses. A corporate-led environmental, health, safety and security council meets every other month to discuss safety incidents and provide safety leadership and direction to Sempra Energy's principal subsidiaries.

## Safety performance

	2014	2015	2016	2017
Employee work-related fatalities	0	1	0	0
Employee OSHA recordable injury rate <sup>1</sup>	2.41	2.35	2.31	2.24
Employee lost work time case rate <sup>2</sup>	0.8	0.77	0.73	0.66
Contractor work-related fatalities	0	1	0	0
Contractor OSHA recordable injury rate <sup>3</sup>	n/a	n/a	0.8	0.83

<sup>1</sup> The number of recordable injuries or illnesses per 100 full-time workers.

<sup>2</sup> The number of lost time cases per 100 full-time workers.

<sup>3</sup> Data from 2014-2015 are not available.



## Culture the key to employee safety

At Sempra Energy, we work to create and support a safety-focused employee culture.

“Stop the job” is one example of this culture. “Stop the job” means that *anyone* has the power to stop a job - at any time - if they feel something is not right. The job can only be restarted once employees and contractors have addressed the concern and taken the relevant safety precautions.

The “culture” part of this concept is critical: it influences how others respond when someone says, “Wait a minute - let’s double-check that.”

In addition to “stop the job,” we also work to foster a solution-oriented approach to safety. If a near-miss occurs, our managers encourage employees to get involved in solving the problem: “What happened and how can it be prevented next time?” The goal is that employees and contractors share their concerns, experiences and lessons learned with their colleagues.

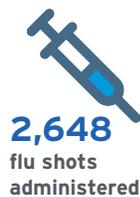
We support this safety culture with safety data. Quantitative metrics - broken down by company, by division and by location - can reveal trends: Is safety performance improving, declining or remaining steady? These statistics tell a story - and can help company leaders identify areas in need of greater focus.

## EMPLOYEE BENEFITS AND WELLNESS

Sempra Energy offers highly competitive compensation and benefits.\* This helps our company attract and retain talented employees.

- Market-competitive base pay plan
- Performance-based incentive program
- Flexible benefit program that allows employees to choose the benefits that best meet their needs and the needs of their families, including:
  - Medical, dental and vision insurance
  - Life insurance, long-term disability, parental leave, long-term care and accidental death & dismemberment insurance
  - A cash balance pension plan
  - A 401(k) savings plan with company match
  - Tuition reimbursement of up to \$5,250 per year
  - Paid time off including vacation, flex days, holidays and sick leave
  - An employee assistance program that includes the opportunity for clinical counseling, financial consultation, pre-retirement counseling, child-care consultations, elder-care consultations and legal counseling
  - Volunteer/giving incentive programs
  - A mass-transit/parking subsidy

### Sempra Energy’s wellness, by the numbers (California operations)



Employee wellness improves employee retention and performance. We provide a range of resources and programs to help our employees live healthier lives. Programs and amenities vary by location, but are more widely available at facilities with more employees:

- On-site fitness facilities, lockers and showers and subsidized fitness classes encourage employees to incorporate exercise into their workday routine.
- Bicycle-friendly amenities and financial incentives promote the use of biking to work as a healthy, lower-stress alternative to commuting by automobile.

\*Sempra Energy’s subsidiaries offer similar benefits, as detailed on their websites.

- When feasible, flexible work schedules, including the option to telecommute, allow for a beneficial balance between work and personal commitments. Backup dependent care provides a safety net for employees experiencing a scheduling conflict with regular childcare or eldercare providers.
- Occasional lunch-and-learn sessions teach employees about topics such as stress management, heart health and nutrition.
- Ergonomics consultations and free on-site flu vaccinations protect employee health and reduce sick days. Sit-stand desks are available at many locations.

We are a stronger company when we value, respect and include people with different perspectives and diverse backgrounds.

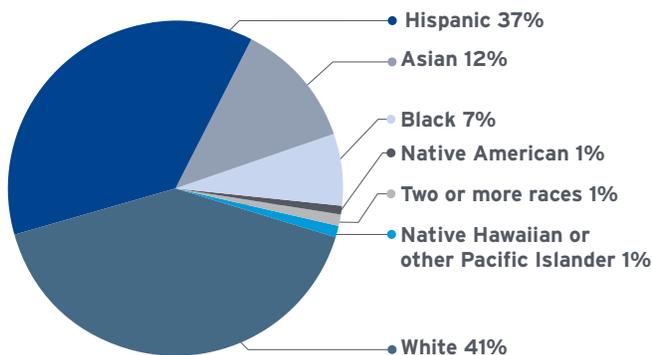
## DIVERSITY AND INCLUSION

At Sempra Energy, we are a stronger company when we value, respect and include people with different perspectives and diverse backgrounds. Our [Discrimination- and Harassment-Free Workplace Policy](#) formalizes our approach to developing and maintaining a respectful and inclusive workplace.

We appreciate the fact that a wide range of factors influence our employees, including race, color, national origin, ancestry, ethnicity, immigration status, education, age, marital status, veteran status, sexual identity and orientation, gender, gender identity or expression, religion, spiritual beliefs, mental and physical capabilities, and life experiences. By respecting each other, we create a workplace where unique perspectives yield new ideas – and stronger business performance becomes possible.

Achieving diversity and inclusion in the workplace requires commitment, hard work and effort at every level. Our CEO, Jeffrey W. Martin, is a signatory to the “CEO Action for Diversity and Inclusion” pledge, and has committed that we will welcome different points of view, discuss tough issues and share successes and challenges in our workplace. More than 300 employees serve on our corporate-wide diversity council or on one of 14 local diversity and inclusion councils. These councils establish priorities and develop employee-focused programs and initiatives including Sempra Energy’s annual Diversity and Inclusion Summit.

### U.S. workforce diversity



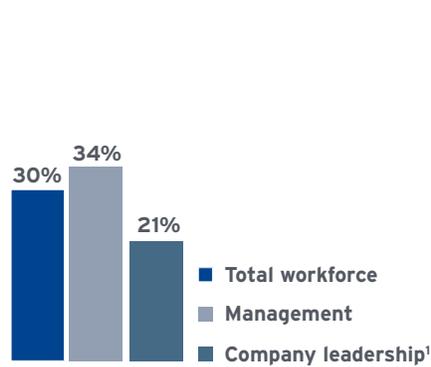
Our workforce demographics provide strong evidence of our commitment to, and success with, diversity and inclusion. When job openings occur, we cast a wide net to build a diverse pool of candidates. In fact, over the past five years, Sempra Energy has seen increases of women (34 percent) and people of color (18 percent) in officer and director roles within the U.S.

Since 2010, the percentage of people of color in our U.S. workforce has increased from 53 percent to 59 percent; U.S. utility averages are 25 percent (people of color) and 17.5 percent (people of color in management). And across the company, women make up 30 percent of the workforce, 34 percent of management and 21 percent of leadership; U.S. utility averages are 25 percent (workforce) and 21 percent (management).

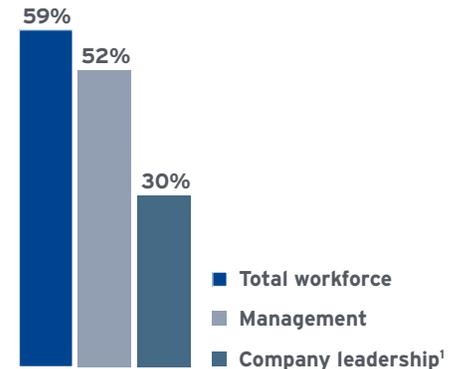
Gender equity in employee compensation is another area where our performance is strong. On average, female executives earn slightly more than - and female managers earn about the same as - their male counterparts. In terms of our non-management employees, compensation is nearly even for men and women working in the same jobs. When combining all jobs in the non-management category, the difference in compensation is due, in part, to the fact that we have more women in fields such as administrative support and more men in fields such as IT and engineering.

Sempra Energy has received several awards for its approach to, and achievement on, diversity and inclusion issues.

### Women in workforce

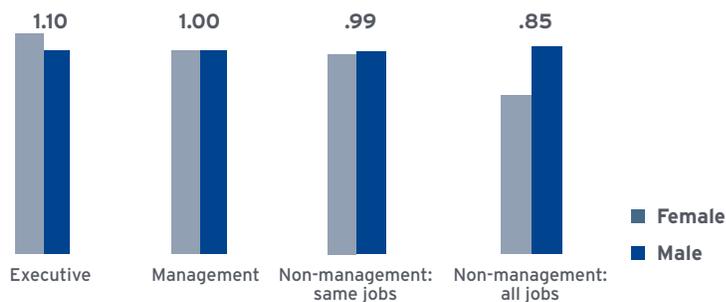


### People of color in U.S. workforce



<sup>1</sup> Employees in positions that place them in the top 2 percent of the company.

### Ratio of female to male base salary<sup>1</sup>



<sup>1</sup> Non-represented employees on the U.S. payroll.

## HUMAN CAPITAL DEVELOPMENT

Employee development at Sempra Energy is an employee-driven process utilizing company-provided tools and resources. We encourage each employee to create a career development plan that includes short- and long-term goals, and to discuss this plan with their manager. Employees also may meet with an organizational development coach to get additional guidance on their career path.

We measure the effectiveness of certain employee development programs by surveying employees and their supervisors before and after the training. Results help to indicate whether the training caused changes in skill level, employee engagement, job performance and business performance. Initial results indicate that these trainings have a return on investment of more than 180 percent.

MyInfo is an online self-service portal that can meet many learning or development-related needs. It includes performance reviews, short- and long-term career goals, required and completed training, compensation, benefits and other information. Using MyInfo, employees may document their accomplishments. They may also indicate their career interests and receive notification when matching jobs are posted.

For training, employees may access a menu of online and instructor-led courses that strengthen competencies in areas critical to the company's continued success, as identified in the Sempra Energy Leadership Model. These include leading change, inspiring trust, building talent, acting strategically and exercising good judgment. To help ensure employees can address their unique development needs, Sempra Energy offers a multi-tiered leadership development framework based on position level and experience. More details are in the sidebar on this page.

We also encourage employees to pursue educational opportunities outside of work: our Professional Development Assistance Program provides up to \$5,250 per year to cover the educational expenses of employees working toward a degree or certificate. Nearly 600 employees participated in this program in 2017.

## LABOR RELATIONS

At Sempra Energy, we support our employees' freedom of association and right to collective bargaining. Nearly one-half of Sempra Energy's U.S. employees, and 31 percent of its non-U.S. employees, are represented by labor unions. We respect our partnerships with unions and work with them to achieve business results that benefit our employees, our businesses and the communities we serve. We also seek opportunities to collaborate with our unions.

More information on the labor unions representing employees at each of our businesses may be found in our 2017 Annual Report on Form 10-K.



## Developing our employees

Developing and retaining talented employees is crucial to Sempra Energy's long-term success.

Following a thorough needs assessment and a benchmarking study of the training and development practices of other successful Fortune 500 companies, Sempra Energy has created a multi-tiered leadership development framework. Three different paths are available: for new, moderately experienced and experienced leaders to develop their leadership skills.

The framework outlines how leaders can demonstrate their ability to: deliver results; lead change; inspire trust; build talent; act strategically; and exercise good judgment. It includes path-specific coursework, suggested readings, assessments and a situational interview-based competency exam.

## Customers and communities

Sempra Energy's businesses serve approximately 43 million consumers worldwide. Our businesses operate utilities in California, Texas, Mexico, Chile and Peru and meet the energy needs of a wide range of residential, commercial and industrial customers.

### ENGAGEMENT

Our reputation and our success as a business depend, in large part, on strong customer and community relationships.

Our stakeholder engagement policy articulates the importance of the role played by employees who are responsible for infrastructure planning, project development, customer service, operations and external affairs. Although stakeholder engagement will differ based on the project, issue or location, our policy underscores our responsibility to proactively engage with stakeholders to seek their input - and integrate it where possible. It also outlines the basic engagement process that should be followed. By engaging with stakeholders, we can better serve customers and communities; minimize risks and legal challenges; and meet the needs of lenders and business partners.

Our utilities connect with their customers through mail, email, door hangers, advertising, social media and news media. They provide information and answer questions through websites and customer call centers. They review customer research and satisfaction-survey results; host community forums or information sessions; and arrange face-to-face meetings. Information on customer-assistance programs may be found on page 56.

Our infrastructure (non-utility) businesses also engage with customers and communities. Project construction provides a good example of how this engagement takes place. Beginning in the early stages of project development, employees make sure local residents and business owners have an opportunity to ask questions and make suggestions. As development continues, they keep them informed through face-to-face meetings,



Our reputation depends on strong customer and community relationships.

community open house events and project update newsletters and other communications. Once development is complete, they continue to engage with stakeholders to help ensure community needs are being met.

In addition to these ongoing activities, Community Advisory Councils made up of a cross section of community leaders in various locations meet periodically to provide input on topics relevant to a specific business or project.

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Our reputation and our success as a business depend, in large part, on strong customer and community relationships.

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## HUMAN RIGHTS

Across all operations and across all stakeholder groups, Sempra Energy respects human rights. Our [human rights policy](#) underscores our commitment to minimize any adverse effects our infrastructure or operations may have on people and communities. This policy was developed using the United Nations' Guiding Principles on Business and Human Rights as a guide. We conduct periodic human rights assessments and promote a formal grievance mechanism. If an employee, business partner, supplier, customer or other stakeholder witnesses or learns of any incident that may involve a violation of our human rights policy, they can report it, anonymously if desired, via the company's Ethics & Compliance Helpline, available 24 hours a day, seven days a week:

- [SempraEthics.com](http://SempraEthics.com)
- United States: 800-241-5689
- Mexico: 001-770-582-5249
- Chile: 600-320-1700
- Peru: 0800-7-0690

We also share our efforts, successes and challenges each year in this report.

Following the required consultation process, our Mexican subsidiary IEnova received approval from Mexico's Ministry of Energy to build a 30-inch natural gas pipeline in the state of Sonora. IEnova built the pipeline in compliance with all applicable laws and regulations. In 2017, some members of one local indigenous group removed a 25-foot section of the pipeline where it passed through their village, Loma BÁCUM, taking the pipeline out of service. As of May 15, 2018, IEnova is awaiting a judge's ruling on whether the company will be allowed to repair the pipeline.

## PUBLIC SAFETY AND EMERGENCY PREPAREDNESS

At Sempra Energy, our top priority is safety. Nothing is more important to us than keeping our employees and customers safe.

As of December 31, 2017, our operations\* span 15 U.S. states, four countries and two continents. We operate five energy utilities, 120,000 miles of natural gas pipeline and 50,000 miles of electric transmission and distribution lines. Our operations also include two LNG terminals, six underground storage facilities capable of storing 179 billion cubic feet of natural gas, and five natural gas-fired power plants. With our partners, we operate more than 875 wind turbines and nearly 8,400 acres of photovoltaic solar facilities.

\*2017 data does not include Oncor.

## Fiber optic technology enhances pipeline safety at SoCalGas

In December, SoCalGas began installing fiber optic cable along a seven-mile section of natural gas pipeline in Bakersfield, California. The system will allow the utility to monitor the condition of this high-pressure transmission pipeline and to locate, to within 20 feet, where a problem may be developing. This gives the company – and first responders – more time to plan and allocate resources to mitigate a potential leak.

Fiber optic monitoring technology operates on the principle that light signals vary when a fiber optic cable is exposed to vibration, stress, or abnormal changes in temperature – indicators of a possible leak or an impact to a natural gas line.

SoCalGas is one of the first natural gas utilities in the U.S. to use this technology in natural gas transmission and high-pressure pipeline system operations. The company plans to install fiber optic cable along all new and replacement pipeline segments that are at least one mile long and 12 inches or greater in diameter.

The project is part of SoCalGas' efforts to upgrade and modernize its more than 101,000 miles of natural gas pipelines.

Protecting the public from dangerous contact with energy facilities is an important objective and an ongoing challenge – we do not control the actions of third parties which may place them in such contact. In 2017, there were 70 injuries and two fatalities alleged to involve company pipes, poles and wires, construction areas, motor vehicles and other facilities. Due to pending litigation and the confidential nature of some settlements, Sempra Energy cannot provide further information on these incidents.

Our businesses manage the safe operation of their assets, with oversight provided by their own boards of directors, as well as the Environmental, Health, Safety and Technology Committee of Sempra Energy's board of directors. Public safety-related areas of focus include:

- Educating customers about energy safety: Customers should avoid contact with electric and natural gas equipment, including poles, transformers, pipes and wires. We produce and disseminate safety education materials and encourage customers to “Dial 8-1-1 before you dig,” so our U.S. utility personnel can mark the location of buried utility-owned gas pipelines or electric lines free of charge;
- Testing and replacing natural gas pipelines; retrofitting or replacing valves to enable automatic or remote-controlled response; and installing new technology for better system monitoring;
- Replacing and upgrading electrical cables, wires and other equipment;
- Installing smart-grid devices to help identify the location of an outage;
- Repositioning electric lines underground (where it is not exposed to vehicles, tree branches or other potential sources of trouble); and converting power poles from wood to steel, further improving system strength, safety and reliability;
- Engaging in wildfire mitigation and preparedness, including de-energizing power lines during periods of high fire risk; vegetation management (tree trimming); extensive weather forecasting; and employee training programs; and
- Assessing and mitigating vulnerabilities related to deliberate cyber or physical attacks on energy infrastructure.

It is vital that our utilities restore natural gas and electric service quickly and safely in the aftermath of a major disaster or emergency. Employees train for such events alongside government officials and first responders. They develop and update contingency plans and emphasize the importance of emergency preparedness to their customers: Uninterrupted access to energy is not guaranteed, so they encourage each customer to develop a written [emergency plan](#) and practice implementing it. Sempra Energy businesses and the Sempra Energy Foundation also support [safety and emergency preparedness](#) as one of their corporate giving priorities.

## Community Choice Aggregation in California



SDG&E's customer call center in San Diego, Calif.

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All customers should pay their share of the costs incurred by their utility to secure long-term power contracts.

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SDG&E is required by law to deliver electricity to every customer in its service territory. The utility purchases most of this power through long-term power purchase agreements. This protects SDG&E customers from price fluctuations and helps provide reliable energy to meet customer demand.

### What is a CCA?

In Community Choice Aggregation (CCA), a government entity such as a city can purchase power for customers within its boundaries who choose CCA. Although this power is purchased by the CCA, it is still delivered by the utility.

We support a customer's right to choose to join a CCA, but three conditions must be met:

1. We must protect customers who remain with their utility. They should not be negatively affected by the choice of other customers to receive CCA-purchased power.
2. CCAs must be required to procure an adequate supply of power to ensure reliable energy is available when needed.
3. CCAs must provide real environmental benefits and comply with all legislative and regulatory rules designed to promote a cleaner California, including a commitment to long-term renewable and energy-storage contracts. As an example, a CCA should not claim credit for greenhouse gas emissions reductions that are already occurring from existing renewable energy resources. Instead, new renewable energy projects should be built to provide power to CCA customers.

### What is Sempra Energy doing?

Sempra Energy created Sempra Services, an energy advisory group separate from SDG&E, to communicate with customers, lawmakers and regulators on how to ensure that CCAs are equitable for customers and provide legitimate environmental benefits. SDG&E is participating in proceedings before the CPUC to advocate that all customers should pay their share of the costs incurred to secure long-term power contracts, including renewables contracts.

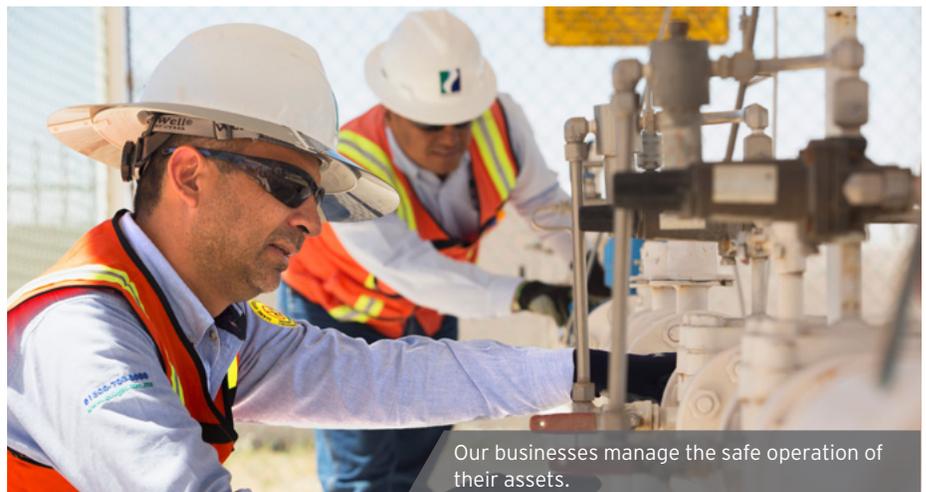
## ENERGY AFFORDABILITY AND CUSTOMER-ASSISTANCE PROGRAMS

Public agencies, such as the CPUC, decide how our utilities may operate, including what rates they may charge. These regulators try to balance the growing needs and demands of utility customers with the utilities' obligation to shareholders to earn a reasonable rate of return.

Sempra Energy's utility businesses offer a wide range of regulator-approved programs that help customers use less energy and reduce their energy bills. These include energy-efficiency retrofits, on-bill financing of energy upgrades, level-payment plans (which can reduce month-to-month differences in energy bills), time-of-use rates, "Reduce Your Use" days, and many other similar programs.

Our California utilities provide customer-assistance programs to help low-income or medically qualified customers pay their energy bills and/or reduce their energy use. The CPUC establishes enrollment targets for these programs, which include California Alternate Rates for Energy (CARE) ratepayer assistance, the Medical Baseline Allowance Program and the Energy Savings Assistance Program (ESAP). Utility performance against these targets is detailed in our "Goals & results" chart on page 67.

Our South American utilities also offer assistance to their customers. Chilquinta Energía makes payment agreements with customers who are having trouble paying their energy bills. Luz del Sur provides a 30- to 40-percent discount for three to six months to approved low-income customers.



Our businesses manage the safe operation of their assets.

## The solar power cost shift



Solar customers still need the electric grid to deliver energy when the sun is not shining.

When a customer in SDG&E's service territory adds solar power to their home or business, they usually see a reduction in their energy bill. This is because their bill is primarily based on how much energy they use.

These solar customers still need the electric grid to deliver energy to their home or business when the sun is not shining. But when their bills don't include the cost to maintain this grid, it is like they are driving a car without paying to maintain it.

As the chart below shows, these grid-maintenance costs are rising, year over year. And these costs are being shifted to non-solar customers.

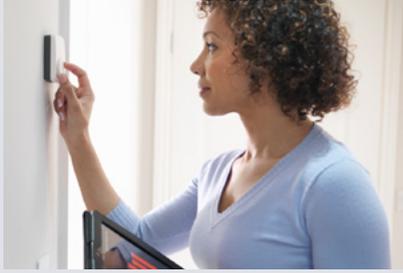
### Estimated annual cost shift to SDG&E's non-solar customers

Dollars in millions



This creates an unfair situation in which non-solar customers pay to maintain and improve the electric grid for solar-owning customers.

Sempra Energy is working with the California Public Utilities Commission to address this problem. Together, we must find a way to maintain renewable energy incentives, while avoiding an unfair cost shift.



### Time of Use gives customers more choice and control

SDG&E’s new residential Time-of-Use (TOU) pricing plans offer savings for customers who can shift some of their energy use away from the higher cost on-peak hours of 4 p.m. to 9 p.m.

SDG&E offers eligible TOU customers a risk-free guarantee of bill protection for one year, and the option to discontinue the program at any time. If a TOU customer would have saved more on their original plan, SDG&E will credit them the difference.

As of May 15, 2018, approximately 150,000 residential customers were enrolled in a TOU plan. This number will continue to grow as the company expands TOU to additional customers. The transition to TOU is part of a statewide initiative to help reduce strain on the grid.

### RELIABILITY

Our utilities build, operate, maintain and improve their energy infrastructure to provide electricity and natural gas service to their customers. When service interruptions occur, our utilities identify the location or source of the outage and work to restore service quickly and safely. Vehicle crashes, equipment failure and construction activity are some common causes of power outages and natural gas service disruptions.

SDG&E has been recognized for 12 consecutive years with the “Best in the West” award for electric reliability from PA Consulting, an independent consulting firm. A typical SDG&E customer experiences one power outage every other year, lasting about one hour.

Chilquinta Energía and Luz del Sur provide service reliability that far exceeds standards established by local regulators. Both utilities are working toward the adoption of smart meters, which will help speed the process of identifying the cause and location of power outages and restoring power.

Natural gas reliability is also important. Natural gas utilities develop short and long-term demand forecasts to help ensure that they are prepared to meet the needs of their customers, which include natural gas-fired power plants.

According to the California Energy Commission, nearly 50 percent of the electricity generated in California comes from natural gas. If a utility does not have enough natural gas to meet the natural gas needs of residential customers, these power plants might need to curtail their operations, leading to widespread electricity outages.

SoCalGas has developed a variety of demand response measures and demand-side activities to help improve reliability and reduce natural gas demand throughout its service area. When unusually cold-weather conditions are forecast, SoCalGas may issue a “SoCalGas Advisory” asking customers to immediately reduce their natural gas use to help lower the risk of possible natural gas shortages. Another example is the utility’s “Seasonal Savings Program,” which provides incentives to customers who allow their smart thermostats to be automatically adjusted to lower demand during peak energy hours. Although these programs achieve only a small fraction of the flexibility provided by the company’s natural gas storage facilities, they do have some positive impact.

### Electric reliability performance<sup>1</sup>

	SAIDI <sup>2</sup> : (Average outage duration, in minutes)	SAIFI <sup>3</sup> : (Average number of outages per customer, per year)
SDG&E	60	0.51
Chilquinta Energía	726	4.32
Luz del Sur	423	1.81

<sup>1</sup> System operating conditions and methodology for calculating performance vary significantly from country to country.

<sup>2</sup> System Average Interruption Duration Index.

<sup>3</sup> System Average Interruption Frequency Index.



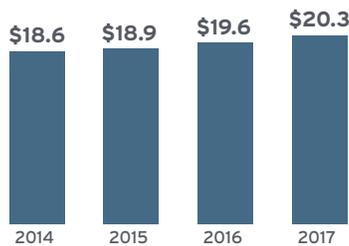
Sempra Energy employees gave \$3.8 million and 20,000 hours to community organizations in 2017.

## PHILANTHROPY AND COMMUNITY INVOLVEMENT

Sempra Energy’s philanthropy and employee volunteerism are aligned with our business priorities. We focus on the environment because we recognize that our business operations have an impact. We contribute to community development and education because strong economies support a higher quality of life - and effective schools can develop skilled workers and wise leaders. We also prioritize emergency preparedness to help make sure our communities are ready to respond to unforeseen events.

### Sempra Energy and Sempra Energy Foundation community giving<sup>1</sup>

Dollars, in millions



<sup>1</sup> Community giving includes charitable giving to fully charitable entities as well as nonprofit civic and community groups.

Examples of community involvement include:

- Sempra Energy provided a grant to the Innovation Fund with the Partners of the Americas. This grant, along with other funding from the U.S. Department of State; Embassy of the U.S. in Peru; and Corporacion Andina de Fomento Development Bank, will support a competition that will facilitate new higher education partnerships designed exclusively for universities and colleges in the United States and Peru. The goal is to build institutional capacity, increase student mobility, strengthen regional education cooperation and contribute to workforce development in the Americas.
- SDG&E contributed to the Ocean Discovery Institute’s Ocean Science Explorers. This program provides a robust science and conservation education to more than 3,000 students from low income areas of San Diego. Students participate in habitat restoration efforts in their own neighborhoods, improving climate resilience in their communities.

- In response to Hurricane Harvey, Sempra LNG & Midstream worked closely with the Sempra Energy Foundation and Sempra Energy to help with relief efforts. Combined, the businesses and their employees contributed more than \$400,000. The contributions enabled recovery groups to provide backpacks to local students; replace carpeting and equipment in a local school; fund gift cards for food and medicine; and purchase toys for more than 15,000 children.
- Nearly 1,000 SoCalGas employees and their friends and family participated in United Way of Greater Los Angeles' HomeWalk at Grand Park in downtown Los Angeles. "Team SoCalGas" was the No. 1 HomeWalk team for the fifth consecutive year, raising more than \$109,000 to help end homelessness in Los Angeles County. Funds from HomeWalk support innovative and effective solutions to help find permanent homes for those without a place to live.
- Sempra Renewables' support of the Pigeon Community Foundation in Pigeon, Mich., brought lights to the community's new walking path and park. This infrastructure project was completed three years ahead of schedule, with the financial support and hard work of Sempra Renewables employee and contractor volunteers.
- IEnova helped improve orphanages in the cities of Torreón, Chihuahua, Mexicali, Ensenada, Hermosillo and Mexico City, and provided scholarships, through the Fundación UABC, to allow high-achieving lower-income students to study abroad for one semester.

Sempra Energy supports employee giving through programs like the Sempra Energy Giving Network, a 501(c)(3) nonprofit organization that allows employees to set up direct payroll contributions to charities of their choice. The company also supports employee volunteerism through programs such as the Volunteer Incentive Program, which allows employees who give at least 10 hours of their personal time to a nonprofit organization or school to request a grant from the Sempra Energy Foundation to that nonprofit organization or school.

In 2017, the company recorded \$3.8 million in employee giving and employee volunteer time of more than 20,000 hours.



Community development and education support a higher quality of life for our customers.

## Business partners and suppliers

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Business partners and suppliers are critical to Sempra Energy's success. We often collaborate with partners to bid on major projects, as their expertise can complement our own. And we depend on suppliers for equipment, parts and services essential to project planning, construction, operations and system reliability.

We are committed to using local suppliers, when feasible. Once a supplier has been selected, supply chain managers monitor performance, including environmental impact. For a description of how we engage with suppliers, please see Supplier selection and monitoring on page 27. For a description of how we manage the environmental impacts of our suppliers and supply chain, please see Supply chain impacts on page 42.

At our California utilities, supplier diversity includes working with Diverse Business Enterprises (DBEs). The companies that provide materials and support should reflect the communities that these utilities serve. In 2017, 42 percent and 45 percent of total spending at SoCalGas and SDG&E, respectively, went to DBEs, far exceeding the guidelines established by the CPUC.

## Regulators

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Sempra Energy's utility customers want safe, clean, reliable and affordable energy. Our utilities want to provide this service, while earning a reasonable rate of return for their efforts. Regulators work to balance these sometimes-competing requirements. They make the rules that specify where the energy comes from; how much infrastructure is needed to deliver it; and how much it should cost.

Regulatory affairs, government affairs and other employees work to ensure that regulators understand our perspective on relevant issues. They participate in public meetings, provide testimony and interact with regulators via phone, email or in-person meetings. Strict rules of conduct govern how we engage with regulators and how these interactions are tracked and reported.

For more information on how our utilities are regulated, please see our 2017 Annual Report on Form 10-K.

## Investors and shareholders

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A description of how we engage with shareholders may be found in Governance on page 19.

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We are committed to using local suppliers, when feasible.

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# ABOUT THIS REPORT



Auwahi Wind in Maui, Hawaii

<b>Material topics</b>	<b>63</b>
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<b>Content index</b>	<b>85</b>

This report is accurate as of June 15, 2018. It has been prepared in accordance with the Global Reporting Initiative's (GRI) core standards.

A detailed GRI index can be found on page 71. It is also aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures and includes an overview of how Sempra Energy is helping to meet some of the United Nations' sustainable development goals (SDGs).

Additional information can also be found in our response to the CDP (formerly Carbon Disclosure Project) annual climate change survey, available at [www.cdp.net](http://www.cdp.net).

Report data includes all businesses and facilities where we have operational control. Additionally, report data includes Cameron LNG, a joint venture that we do not control but that will have a significant impact on our earnings. Data and information related to Oncor will be included in our 2018 report, which will be issued in 2019. Data are based on our percent ownership unless otherwise indicated. We do not account for our fractional ownership of some midstream facilities. Other data exclusions or additions are noted.

This report covers the topics that are most material to the company and its stakeholders as identified in our latest materiality assessment. This assessment, conducted in 2014, included feedback from approximately 400 stakeholders and was updated in 2016 and 2017. With the closing of the Oncor transaction in early 2018, we plan to conduct a new materiality analysis in the coming year. Please see the table below for materiality details.

Please let us know how we can improve our sustainability reporting to better meet your needs by sending a note to [sustainability@sempra.com](mailto:sustainability@sempra.com).

## Sempra Energy material topics

Key issue	Description	Page
<b>Employee engagement and safety</b>	Develop and retain a skilled, engaged and motivated workforce; maintain a safe and healthy work environment for both employees and contractors.	46, 47
<b>Ethics and governance</b>	Act in an ethical manner; provide strong corporate governance and oversight of company operations.	18-21
<b>Rates and reliability</b>	Advocate for fair and affordable energy rates while complying with government mandates; provide reliable and consistent service to customers.	56-58
<b>Customers and communities</b>	Prepare for and respond to disasters, emergencies and extraordinary weather conditions; safeguard customer and employee information; protect energy facilities and systems from cyber and physical security threats; protect the public from potentially dangerous contact with energy infrastructure; listen, understand and respond to stakeholder's input; provide financial and volunteer support to charities and nonprofit organizations.	52-56
<b>Compliance</b>	Comply with rules and regulations in all areas of our business.	25-27, 40
<b>Water</b>	Minimize water use; meet water discharge requirements.	38-39
<b>Climate change and emissions</b>	Mitigate or minimize climate-related risks; reduce environmental impacts; focus on climate-resilient infrastructure; adapt business strategy to climate constraints.	28-37
<b>Environmental impact</b>	Control and reduce greenhouse gas emissions and other air emissions; protect natural habitats and species near and around energy infrastructure.	33, 36-37, 40
<b>The future</b>	Adapt to and anticipate changes related to new technologies and regulatory/legislative mandates; think creatively, identify and employ innovative solutions to prepare for the future; develop the infrastructure to support clean transportation.	3-7, 8-13, 14, 30-33, 34, 54, 57, 58
<b>Supply chain</b>	Work to have reliable, affordable, diverse suppliers that operate efficiently and reduce environmental impacts.	27, 42-43, 61

## DATA VERIFICATION AND REPORT REVIEW

We use an online system to collect performance data and supporting documentation from our corporate headquarters and principal businesses. We conduct periodic internal audits to review data accuracy. We report some data publicly to government agencies, and obtain third-party verification of a subset of this data in the year following publication. Greenhouse gas emissions for 2016 were verified as follows: SDG&E, by Lloyd's Register Quality Assurance, Inc.; SoCalGas, by Lloyd's Register Quality Assurance, Inc.; and Termoeléctrica de Mexicali, by Asociación Nacional de la Industria Química, A.C. The verification process for 2017 greenhouse gas emissions will be completed later in 2018. The Environmental, Health, Safety and Technology Committee of Sempra Energy's board of directors reviewed this report prior to its publication.

## Performance data

	2014	2015	2016	2017 <sup>1</sup>
<b>Business and governance</b>				
Revenues (millions of dollars)	11,035	10,231	10,183	11,207
Earnings (millions of dollars)	1,161	1,349	1,370	256
Earnings per diluted share (dollars)	4.63	5.37	5.46	1.01
Total assets (millions of dollars)	39,651	41,150	47,786	50,454
Number of board directors	13	12	11	13
Number of independent board directors	12	11	10	12
Independent board directors that are women and/or minorities (% of independent directors)	50	45	50	67
Ethics and compliance helpline calls	202	260	232	287
<b>Environment</b>				
Renewable energy deliveries (% of previous year total sales) <sup>2</sup>	31.9	35.2	43	45
Agency inspections	443	563	638 <sup>3</sup>	604
Notices of violation (NOV) <sup>4</sup>	10	22	22	24
Inspections with no NOV issued (% of total inspections)	98	96	97	96
Fines and penalties (dollars) <sup>5</sup>	1,810	50,343	9,012	29,601
Internal compliance assessments and audits <sup>6</sup>	422	422	325	386
Scope 1 greenhouse gas emissions (million metric tons CO <sub>2</sub> e)	6.7	8.1 <sup>9</sup>	4.9 <sup>7</sup>	5.1 <sup>8</sup>
Scope 2 greenhouse gas emissions (million metric tons CO <sub>2</sub> e)	0.308	0.250	0.216 <sup>7</sup>	0.247 <sup>8</sup>
Scope 3 greenhouse gas emissions (million metric tons CO <sub>2</sub> e) <sup>10</sup>	58.9	54.5	52.8	55.1
CO <sub>2</sub> emissions rate for power generation (lbs CO <sub>2</sub> /megawatt-hour) <sup>11</sup>	694	649	532 <sup>7</sup>	484 <sup>8</sup>
NO <sub>x</sub> emissions from power generation (tons)	388	355	235	154
NO <sub>x</sub> emissions rate from power generation (lbs/megawatt-hour) <sup>11</sup>	0.05	0.05	0.05	0.02
SO <sub>2</sub> emissions from power generation (tons)	16	16	8	8
SO <sub>2</sub> emissions rate from power generation (lbs/megawatt-hour) <sup>11</sup>	0.002	0.002	0.002	0.001
Total water withdrawal (billions of gallons) <sup>12</sup>	31.4	27.9	21.9	28.9
Returned water (billions of gallons) <sup>12</sup>	28.2	25	19.7	26.5
Hazardous waste (tons) <sup>13</sup>	1,947	5,073	5,575	2,456
<b>Our stakeholders</b>				
Number of employees	17,000	17,400	16,600	16,000
Employee work-related fatalities	0	1	0	0
Recordable injury case rate (per 100 full-time workers)	2.41	2.35	2.31	2.24
Employee lost work time case rate (per 100 full-time workers)	0.80	0.77	0.73	0.66
Women in workforce (% of total workforce)	29	28	29	30
Women in management (% of management employees)	33	33	33	34
People of color in workforce (% of U.S. employees)	56	57	58	59
People of color in management (% of U.S. management)	48	50	51	52
Spending with diverse business enterprises (% of total spending) <sup>14</sup>	46	44	43 <sup>15</sup>	43
Community giving (millions of dollars) <sup>16</sup>	18.6	18.9	19.6	20.3

<sup>1</sup> Data for 2017 does not include Oncor.

<sup>2</sup> Power delivered to SDG&E customers only.

<sup>3</sup> Agency inspections increased after the leak at SoCalGas' Aliso Canyon natural gas storage field.

<sup>4</sup> Self-reported violations are not included.

<sup>5</sup> Does not include settlements. The amount of fines and penalties paid varies from year to year depending on the nature of the violation and the timing of its resolution.

<sup>6</sup> The number of internal compliance assessments and audits may vary from year to year due to adjustment of inspection cycles as determined by risk assessments.

<sup>7</sup> Greenhouse gas emissions data for 2016 have been updated following an independent verification of the data.

<sup>8</sup> Greenhouse gas emissions data for 2017 are undergoing third-party verification and may be updated upon completion of the analysis.

<sup>9</sup> Includes 2.1 million metric tons CO<sub>2</sub> equivalent from the Aliso Canyon leak.

<sup>10</sup> Data includes emissions from power purchased and delivered to electric utility customers and emissions from our customers' combustion of natural gas. The 2016 and 2017 numbers also include employee air travel.

<sup>11</sup> Emissions rate for power generation on an equity-share basis. Data from Chilquinta Energia's 8-megawatt peaker plant are not included.

<sup>12</sup> While we continue to improve data collection related to water use, these numbers do not yet account for all aspects of our operations, including natural gas pipeline testing at our California utilities.

<sup>13</sup> Hazardous waste generated increased in 2015 in part due to increased remediation activity and pipeline testing. In 2016, an asphalt replacement project also increased hazardous waste numbers.

<sup>14</sup> Covers spending on diverse business enterprises at SDG&E and SoCalGas only.

<sup>15</sup> Excludes highly specialized companies brought in to help stop the Aliso Canyon leak. Including leak-related expenditures, the utilities' overall DBE spend was 38 percent.

<sup>16</sup> Community giving includes charitable giving to fully charitable entities as well as nonprofit civic and community groups.

**Goals & results<sup>1</sup>** ● Met ○ Partly/in Progress ○ Below target

2017 Goals	2017 Results	2018 Goals
<b>Emissions reduction</b>		
Decrease our CO <sub>2</sub> emissions rate for power generation by at least <b>35 percent</b> by 2021 compared to a 2010 baseline	○ Decreased rate by <b>34 percent</b>	Decrease our CO <sub>2</sub> emissions rate for power generation by at least <b>35 percent</b> by 2021 compared to a 2010 baseline
<b>Renewable energy and innovation</b>		
Provide an average of <b>33 percent</b> of customers' electricity from renewable sources of energy by 2020 and <b>50 percent</b> by 2030 (SDG&E)	● Provided approximately <b>45 percent<sup>2</sup></b> from renewable sources of energy	Provide <b>50 percent</b> of customers' electricity from renewable sources by 2030 (SDG&E)
Invest in <b>2,945 megawatts</b> of renewable power by the end of 2021 (68 percent of our generation portfolio) (Sempra Renewables & IEnova)	○ Completed <b>100 megawatts</b> , bringing the company's wholly and jointly owned operating renewables portfolio up to <b>1,920 megawatts</b>	Invest in an additional <b>541 megawatts</b> of renewable power by the end of 2022 (69 percent of our generation portfolio) (Sempra Renewables & IEnova)
Develop or interconnect at least <b>165 megawatts</b> of energy storage on the system by 2020 and <b>330 megawatts</b> by 2030 (SDG&E) <sup>3</sup>	○ Brought <b>37.5 megawatts</b> of storage online and filed an application with the CPUC for five new local battery storage facilities for an additional <b>83.5 megawatts</b> .	Develop or interconnect at least <b>165 megawatts</b> of energy storage on the system by 2020 and <b>330 megawatts</b> by 2030 (SDG&E)
By 2025, develop the charging infrastructure to support <b>150,000</b> electric vehicles (SDG&E)	○ SDG&E began construction and installation of <b>3,000</b> new electric vehicle charging stations at 300 locations in its service territory.	Facilitate electric vehicle growth to meet the Governor's goal of <b>500,000</b> zero emissions vehicles in its service territory by 2030. (SDG&E)
By 2020, <b>51 percent</b> of fleet will run on alternative fuels (SoCalGas)	○ <b>26 percent</b> of fleet comprised of alternative fuel vehicles	By 2020, <b>51 percent</b> of fleet will run on alternative fuels (SoCalGas)
By 2020, <b>22 percent</b> of fleet will run on alternative fuels (SDG&E)	○ <b>13 percent</b> of fleet comprised of alternative fuel vehicles	By 2020, <b>23 percent</b> of fleet will run on alternative fuels (SDG&E)
Install approximately <b>6 million</b> natural gas advanced meters by end of 2017 (SoCalGas)	● SoCalGas has installed nearly <b>6 million</b> advanced meters in its service territory	
By 2030, facilitate the conversion of <b>160,000</b> heavy duty trucks from diesel to natural gas (SoCalGas)	○ Through educational outreach and advocacy efforts, SoCalGas supported the state in successfully bringing an estimated <b>1,400</b> natural gas trucks under contract in 2017, which represents growth of about 4.5 percent.	By 2030, facilitate the conversion of <b>160,000</b> heavy duty trucks from diesel to natural gas (SoCalGas)
Decrease carbon in SoCalGas' pipelines by introducing renewable natural gas to the Core natural gas procurement portfolio by 2025	○ In 2017, SoCalGas supported state regulatory agencies' (the California Air Resources Board, California Energy Commission, and California Public Utilities Commission) advancement of energy infrastructure development and procurement policies to encourage dairy biomethane projects. Once fully implemented, these policies are projected to reduce methane emissions from livestock and dairy manure management operations by up to <b>40 percent</b> below the sector's 2013 levels by 2030.	Decrease carbon in SoCalGas' pipelines by introducing renewable natural gas to the Core natural gas procurement portfolio by 2025
<b>Energy efficiency</b>		
Aim for the following, through customer energy efficiency programs (SDG&E):	Saved:	Aim for additional savings through customer energy efficiency programs (SDG&E):
<b>304 gigawatt-hours</b> in energy savings	● <b>482 gigawatt-hours</b>	<b>304 gigawatt-hours</b> in energy savings
<b>50 megawatts</b> of demand reduction	● <b>87 megawatts</b>	<b>44 megawatts</b> of demand reduction
<b>3.3 million therms</b> of natural gas saved	○ <b>2.1 million therms</b>	<b>3.3 million therms</b> of natural gas saved

**Goals & results<sup>1</sup> (continued)** ● Met ◐ Partly/in Progress ○ Below target

2017 Goals	2017 Results	2018 Goals
Aim for the following, through customer energy efficiency programs (SoCalGas):	Saved:	Aim for additional savings through customer energy efficiency programs (SoCalGas):
30.3 million therms of natural gas saved	● 40.1 million therms	46 million therms of natural gas saved
Reduce facility electricity consumption per square foot compared to 2016 usage, while adding infrastructure to charge 300 employee electric vehicles (SDG&E)	○ Consumption increased .03 percent	Reduce facility electricity consumption per square foot compared to 2016 usage, while adding infrastructure to charge 300 employee electric vehicles (SDG&E)
Reduce facility electricity consumption 5 percent in 2017 compared to 2016 (SoCalGas)	● Reduced consumption 5.1 percent	Reduce facility electricity consumption 5 percent in 2018 compared to 2017 (SoCalGas)
<b>Water</b>		
Reduce facility water consumption compared to 2016 levels (SDG&E)	○ Consumption increased by 13 percent	Reduce consumption compared to 2017 (SDG&E)
Reduce facility water consumption 5 percent compared to a 2007 baseline (SoCalGas)	● Achieved a 27 percent reduction compared to the 2007 baseline.	Maintain at least a 3 percent reduction in facility water consumption compared to a 2007 baseline (SoCalGas)
<b>Safety and public safety</b>		
Maintain a culture of safety, striving for zero incidents <sup>4</sup>	◐ In 2017, our safety performance continued to improve <sup>4</sup> , with decreases in both the employee recordable injury rate and lost time injury rates. There were no contractor or employee fatalities in 2017.	Maintain a culture of safety, striving for zero incidents <sup>4</sup>
Decrease overall pipeline damage rate (per 1,000 service tickets) by 15 percent by 2022, compared to a 2016 baseline (SoCalGas & SDG&E)	◐ As of the end of 2017, SoCalGas and SDG&E achieved a 10.23 percent reduction in the pipeline damage rate and are on track to exceed this goal by 2022	Decrease overall pipeline damage rate (per 1,000 service tickets) by 15 percent by 2022, compared to a 2016 baseline (SoCalGas & SDG&E)
Complete enhanced well integrity inspections on 100 percent of underground storage wells by the end of 2019 (SoCalGas)	◐ As of the end of 2017, SoCalGas permanently isolated the storage zone or completed enhanced well integrity inspections on 59 percent of wells and is ahead of schedule to meet this goal by 2019.	Complete enhanced well integrity inspections on 100 percent of underground storage wells by the end of 2019 (SoCalGas)
Replace approximately 800 miles of distribution pipeline at SoCalGas and 100 miles at SDG&E by 2021 <sup>5</sup>	◐ As of December 2017, SoCalGas replaced approximately 211 miles and SDG&E replaced approximately 15 miles of pipe to enhance the integrity of their distribution systems.	Replace approximately 800 miles of distribution pipeline at SoCalGas and 100 miles at SDG&E by 2021
Complete high pressure pipeline inspections on 1,700 miles of pipeline at SoCalGas and 120 miles at SDG&E by 2021 (SoCalGas & SDG&E) <sup>5</sup>	◐ In 2017, SoCalGas assessed approximately 202 miles and SDG&E assessed approximately 36 miles of high pressure transmission pipelines	Complete high pressure pipeline inspections on 1,700 miles of pipeline at SoCalGas and 120 miles at SDG&E by 2021 (SoCalGas & SDG&E)
Install and retrofit more than 100 automated control valves and test/replace more than 180 miles of high pressure pipeline by 2021 as part of the pipeline safety enhancement program (PSEP) (SoCalGas & SDG&E) <sup>5</sup>	◐ SoCalGas and SDG&E installed and/or retrofitted 139 automated control valves and tested/replaced approximately 178 miles of high pressure pipeline as of December 2017 as part of the PSEP.	Install and retrofit more than 200 automated control valves and test/replace more than 400 miles of high pressure pipeline by 2021 as part of the PSEP (SoCalGas & SDG&E)
<b>Reliability</b>		
Limit average duration of electricity outages (SAIDI) to:		Limit average duration of electricity outages (SAIDI) to:
62 minutes <sup>6</sup> (SDG&E)	● 60.44 minutes	61 minutes (SDG&E)
553 minutes (Chilquinta Energía)	○ 725.7 minutes	553 minutes (Chilquinta Energía)
390 minutes (Luz del Sur)	○ 422.96 minutes	390 minutes (Luz del Sur)

2017 Goals	2017 Results	2018 Goals
Limit average number of electricity outages (SAIFI) to: <b>0.53 outages</b> <sup>6</sup> (SDG&E) <b>5.11 outages</b> (Chilquinta Energía) <b>3 outages</b> (Luz del Sur)	● <b>0.51 outages</b> ● <b>4.32 outages</b> ● <b>1.81 outages</b>	Limit average number of electricity outages (SAIFI) to: <b>0.52 outages</b> (SDG&E) <b>5.11 outages</b> (Chilquinta Energía) <b>3 outages</b> (Luz del Sur)
<b>Customer assistance programs</b>		
Enroll <b>90 percent</b> of eligible customers in California Alternate Rates for Energy program (SDG&E)	○ Enrolled <b>85 percent</b>	Enroll <b>90 percent</b> of eligible customers in the California Alternate Rates for Energy program (SDG&E)
Enroll <b>90 percent</b> of eligible customers in California Alternate Rates for Energy program (SoCalGas)	○ Enrolled <b>86 percent</b>	Enroll <b>90 percent</b> of eligible customers in California Alternate Rates for Energy program (SoCalGas)
Weatherize <b>20,316 homes</b> through the Energy Savings Assistance Program (SDG&E)	● Weatherized <b>21,677 homes</b>	Weatherize <b>20,316 homes</b> through the Energy Savings Assistance Program (SDG&E)
Weatherize <b>110,000 homes</b> through the Energy Savings Assistance Program (SoCalGas)	○ Weatherized <b>93,790 homes</b>	Weatherize <b>115,500 homes</b> through the Energy Savings Assistance Program (SoCalGas)
<b>Diverse business enterprises (DBEs)</b>		
Aim for <b>40 percent</b> in spending with diverse business enterprises (DBEs) (SDG&E)	● Achieved <b>44.6 percent</b>	Aim for <b>40 percent</b> in spending with diverse business enterprises (DBEs) (SDG&E)
Aim for at least <b>38 percent</b> in spending with diverse business enterprises (DBEs) (SoCalGas)	● Achieved <b>42.08 percent</b>	Aim for at least <b>38 percent</b> in spending with diverse business enterprises (DBEs) (SoCalGas)
<b>Community giving</b>		
Contribute <b>1 percent</b> of annual pretax income to charities <sup>7</sup>	○ Contributed <b>0.89 percent</b>	Contribute <b>1 percent</b> of annual pretax income to charities

<sup>1</sup> If goal is not Sempra-wide, the relevant business unit is indicated in parentheses in the goals column.

<sup>2</sup> These results subject to review and audit by the CPUC and other regulatory agencies.

<sup>3</sup> End year of goal updated from 2024 to 2020 due to reporting error.

<sup>4</sup> Year-to-year safety performance can be found in the Performance data table on page 64.

<sup>5</sup> Goal published in 2016 report was split into three separate goals to increase clarity.

<sup>6</sup> Goal updated per CPUC review and approval.

<sup>7</sup> In 2017, our methodology changed and our goal is now to give one percent of pretax income to fully charitable entities.

# Disclaimers

## FORWARD-LOOKING STATEMENTS

We make statements in this report that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by words such as “believes,” “expects,” “anticipates,” “plans,” “estimates,” “projects,” “forecasts,” “contemplates,” “assumes,” “depends,” “should,” “could,” “would,” “will,” “confident,” “may,” “can,” “potential,” “possible,” “proposed,” “target,” “pursue,” “outlook,” “maintain,” or similar expressions or discussions of guidance, strategies, plans, goals, opportunities, projections, initiatives, objectives or intentions. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in the forward-looking statements.

Factors, among others, that could cause our actual results and future actions to differ materially from those described in any forward-looking statements include risks and uncertainties relating to: actions and the timing of actions, including decisions, new regulations, and issuances of permits and other authorizations by the California Public Utilities Commission (CPUC), U.S. Department of Energy, California Division of Oil, Gas, and Geothermal Resources, Federal Energy Regulatory Commission, U.S. Environmental Protection Agency, Pipeline and Hazardous Materials Safety Administration, Los Angeles County Department of Public Health, Public Utility Commission of Texas, states, cities and counties, and other regulatory and governmental bodies in the United States and other countries in which we operate; the timing and success of business development efforts and construction projects, including risks in obtaining or maintaining permits and other authorizations on a timely basis, risks in completing construction projects on schedule and on budget, and risks in obtaining the consent and participation of partners and counterparties; the resolution of civil and criminal litigation and regulatory investigations; deviations from regulatory precedent or practice that result in a reallocation of benefits or burdens among shareholders and ratepayers; denial of approvals of proposed settlements or modifications of settlements; and delays in, or disallowance or denial of, regulatory agency authorizations to recover costs in rates from customers (including with respect to amounts associated with the San Onofre Nuclear Generating Station facility and 2007 wildfires) or regulatory agency approval for projects required to enhance safety and reliability, any of which may raise our cost of capital and materially impair our ability to finance our operations; the greater degree and prevalence of wildfires in California in recent years and risk that we may be found liable for damages regardless of fault, such as in cases where inverse condemnation applies, and risk that we may not be able to recover any such costs in rates from customers in California; the availability of electric power, natural gas and liquefied natural gas, and natural gas pipeline and storage capacity, including disruptions caused by failures in the transmission grid, moratoriums or limitations on the withdrawal or injection of natural gas from or into storage facilities, and equipment failures; changes in energy markets; volatility in commodity prices; moves to reduce or eliminate reliance on natural gas; and the impact on the value of our investments in natural gas storage and related assets from low natural gas prices, low volatility of natural gas prices and the inability to procure favorable long-term contracts for storage services; risks posed by actions of third parties who control the operations of our investments, and risks that our partners or counterparties will be unable or unwilling to fulfill their contractual commitments; weather conditions, natural disasters, accidents, equipment failures, computer system outages, explosions, terrorist attacks and other events that disrupt our operations, damage our facilities and systems, cause the release of greenhouse gases, radioactive materials and harmful emissions, cause wildfires and subject us to third-party liability for property damage or personal injuries, fines and penalties, some of which may not be covered by insurance (including costs in excess of applicable policy limits), may be disputed by insurers or may otherwise not be recoverable through regulatory mechanisms or may impact our ability to obtain satisfactory levels of insurance, to the extent that such insurance is available or not prohibitively expensive; cybersecurity threats to the energy grid, storage and pipeline infrastructure, the information and systems used to operate our businesses and the confidentiality of our proprietary information and the personal information of our customers and employees; capital markets and economic conditions, including the availability of credit and the liquidity of our investments; and fluctuations in inflation, interest and currency exchange rates and our ability to effectively hedge the risk of such fluctuations; the impact of recent federal tax reform and uncertainty as to how it may be applied, and our ability to mitigate adverse impacts; actions by credit rating agencies to downgrade our credit ratings or those of our subsidiaries or to place those ratings on negative outlook; changes in foreign and domestic trade policies and laws, including border tariffs, and revisions to international trade agreements, such as the North American Free Trade Agreement, that make us less competitive or impair our ability to resolve trade disputes; the ability to win competitively bid infrastructure projects against a number of strong and aggressive competitors; expropriation of assets by foreign governments and title and other property disputes; the impact on reliability of San Diego Gas & Electric Company’s (SDG&E) electric transmission and distribution system due to increased amount and variability of power supply from renewable energy sources; the impact on competitive customer rates due to the growth in distributed and local power generation and the corresponding decrease in demand for power delivered through SDG&E’s electric transmission and distribution system and from possible departing retail load resulting from customers transferring to Direct Access and Community Choice Aggregation or other forms of distributed and local power generation, and the potential risk of nonrecovery for stranded assets and contractual obligations; the ability to realize the anticipated benefits from our investment in Oncor Electric Delivery Holdings Company LLC (Oncor Holdings); the ability to obtain additional permanent equity financing for the acquisition of our investment in Oncor Holdings on favorable terms; indebtedness we have incurred to fund the acquisition of our investment in Oncor Holdings, which may make it more difficult for us to repay or refinance our debt or may require us to take other actions that may decrease business flexibility and increase borrowing costs; Oncor Electric Delivery Company LLC’s (Oncor) ability to eliminate or reduce its quarterly dividends due to its requirement to meet and maintain its regulatory capital structure, or because any of the three major credit rating agencies rates Oncor’s senior secured debt securities below BBB (or the equivalent) or Oncor’s independent directors or a minority member director determine it is in the best interest of Oncor to retain such amounts to meet future capital expenditures; and other uncertainties, some of which may be difficult to predict and are beyond our control.

These risks and uncertainties are further discussed in the reports that Sempra Energy has filed with the U.S. Securities and Exchange Commission (SEC). These reports are available through the EDGAR system free-of-charge on the SEC’s website, [www.sec.gov](http://www.sec.gov). Investors should not rely unduly on any forward-looking statements. These forward-looking statements speak only as of the date hereof, and the company undertakes no obligation to update or revise these forecasts or projections or other forward-looking statements, whether as a result of new information, future events or otherwise.

## RECONCILIATION OF NON-GAAP MEASURES (UNAUDITED)

### Reconciliation of Sempra Energy GAAP earnings and diluted earnings per common share (EPS) to Sempra Energy adjusted earnings and adjusted diluted EPS (unaudited)

Sempra Energy Adjusted Earnings and Adjusted EPS exclude items (after the effects of income taxes and, if applicable, noncontrolling interests) in 2017, 2016 and 2015 as follows:

In 2017:

- \$(870) million income tax expense from the impact of the Tax Cuts and Jobs Act of 2017 (TCJA)
- \$(208) million write-off of wildfire regulatory asset at SDG&E
- \$(47) million impairment of Termoeléctrica de Mexicali (TdM) assets held for sale at Sempra Mexico
- \$(20) million associated with Aliso Canyon litigation reserves at SoCalGas
- \$5 million deferred income tax benefit on the TdM assets held for sale
- \$28 million of recoveries related to 2016 permanent releases of pipeline capacity at Sempra LNG & Midstream

In 2016:

- \$350 million noncash gain from the remeasurement of our equity method investment in IEnova Pipelines (formerly Gasoductos de Chihuahua or GdC), a 50-50 joint venture between our Mexican subsidiary, IEnova, and Petróleos Mexicanos (Pemex), in connection with IEnova's September 2016 acquisition of Pemex's 50-percent interest in GdC
- \$78 million gain at Sempra LNG & Midstream on the September 2016 sale of EnergySouth, Inc., the parent company of Mobile Gas Service Corporation and Willmut Gas Company
- \$(123) million losses from the permanent release of pipeline capacity at Sempra LNG & Midstream
- \$(80) million adjustments related to tax repairs deductions reallocated to ratepayers as a result of the 2016 General Rate Case Final Decision (2016 GRC FD) at SDG&E and SoCalGas
- \$(27) million impairment charge related to Sempra LNG & Midstream's investment in Rockies Express Pipeline LLC (Rockies Express)
- \$(90) million impairment of TdM assets held for sale
- \$(5) million deferred income tax expense related to our decision to hold TdM for sale

In 2015:

- \$36 million gain on the sale of the remaining block of Sempra LNG & Midstream's Mesquite Power plant
- \$15 million reduction in the plant closure loss related to San Onofre Nuclear Generating Station (SONGS), \$13 million of which is due to the California Public Utilities Commission approval of a compliance filing related to SDG&E's authorized recovery of its investment in SONGS

Sempra Energy Adjusted Earnings and Adjusted Diluted EPS are non-GAAP financial measures (GAAP represents accounting principles generally accepted in the United States of America). Because of the significance and nature of the excluded items, management believes that these non-GAAP financial measures provide a meaningful comparison of the performance of Sempra Energy's business operations from 2017 to prior and future periods. Non-GAAP financial measures are supplementary information that should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. The following table reconciles, for historical periods, these non-GAAP financial measures to Sempra Energy GAAP Earnings and GAAP Diluted EPS, which we consider to be the most directly comparable financial measures calculated in accordance with GAAP.

## Sempra Energy adjusted earnings and adjusted earnings per share

(Dollars in millions, except per-share amounts)

	Pretax amount	Income tax expense (benefit) <sup>(1)</sup>	Non-controlling interests	Earnings	Diluted EPS
<b>Year ended December 31, 2017</b>					
<b>Sempra Energy GAAP Earnings</b>				\$256	\$1.01
Excluded items:					
Impact from the TCJA	\$-	\$870	\$-	870	3.45
Write-off of wildfire regulatory asset	351	(143)	-	208	0.82
Impairment of TdM assets held for sale	71	-	(24)	47	0.19
Aliso Canyon litigation reserves	20	-	-	20	0.08
Deferred income tax benefit associated with TdM	-	(8)	3	(5)	(0.02)
Recoveries related to 2016 permanent release of pipeline capacity	(47)	19	-	(28)	(0.11)
<b>Sempra Energy Adjusted Earnings</b>				<b>\$1,368</b>	<b>\$5.42</b>
<b>Weighted-average number of shares outstanding, diluted (thousands)</b>					<b>252,300</b>
<b>Year ended December 31, 2016</b>					
<b>Sempra Energy GAAP Earnings</b>				\$1,370	\$5.46
Excluded items:					
Remeasurement gain in connection with GdC acquisition	\$(617)	\$185	\$82	(350)	(1.39)
Gain on sale of EnergySouth	(130)	52	-	(78)	(0.31)
Permanent release of pipeline capacity	206	(83)	-	123	0.49
SDG&E tax repairs adjustments related to 2016 GRC FD	52	(21)	-	31	0.12
SoCalGas tax repairs adjustments related to 2016 GRC FD	83	(34)	-	49	0.19
Impairment of investment in Rockies Express	44	(17)	-	27	0.11
Impairment of TdM assets held for sale	131	(20)	(21)	90	0.36
Deferred income tax expense associated with TdM	-	8	(3)	5	0.02
<b>Sempra Energy Adjusted Earnings</b>				<b>\$1,267</b>	<b>\$5.05</b>
<b>Weighted-average number of shares outstanding, diluted (thousands)</b>					<b>251,155</b>
<b>Year ended December 31, 2015</b>					
<b>Sempra Energy GAAP Earnings</b>				\$1,349	\$5.37
Excluded items:					
Gain on sale of Mesquite Power block 2	\$(61)	\$25	\$-	(36)	(0.14)
SONGS plant closure adjustment	(26)	11	-	(15)	(0.06)
<b>Sempra Energy Adjusted Earnings</b>				<b>\$1,298</b>	<b>\$5.17</b>
<b>Weighted-average number of shares outstanding, diluted (thousands)</b>					<b>250,923</b>

<sup>1</sup> Income taxes were calculated based on applicable statutory tax rates, except for adjustments that are solely income tax. Income taxes associated with TdM were calculated based on the applicable statutory tax rate, including translation from historic to current exchange rates. An income tax benefit of \$12 million associated with the 2017 TdM impairment has been fully reserved.

## Global Reporting Initiative (GRI) index

Sempra Energy follows the GRI standards, an internationally-recognized standardized framework for disclosing economic, environmental and social performance. The 2017 report qualifies at the in accordance-core level. We also provide information on additional standard disclosures where data is available.

### General standard disclosures

Standard number	Description	Response	Omissions
102-1	Name of the organization	Sempra Energy	
102-2	Primary brands, products, and services	<a href="#">Strategy and assets 2017 10K</a>	
102-3	Location of organization's headquarters	San Diego, CA	
102-4	Number and name of countries where the organization has significant operations	We have operations in the United States, Mexico, Chile and Peru (4).	
102-5	Nature of ownership and legal form	Sempra Energy is an investor-owned corporation. Common shares trade on the New York Stock Exchange under the symbol "SRE".	
102-6	Nature of markets served (including geographic breakdown, sectors served, and types of beneficiaries)	<a href="#">Strategy and assets 2017 Annual Report 2017 Statistical Report</a>	
102-7	Scale of the reporting organization (employees, operations, net sales, capitalization, quantity of products/services)	<a href="#">Strategy and assets Performance data 2017 Statistical Report</a>	
102-8	Workforce	<p><a href="#">Employees</a></p> <p>Contractors perform a variety of services for our companies. This includes office support services and field support including vegetation management, construction, trenching, etc.</p> <p>In 2017 approximately 420 of our 16,046 employees worked a part-time schedule.</p> <p>Data related to our workforce is compiled through the annual corporate sustainability data collection process. In general human resources information is available in a system called MyInfo which houses a variety of data and information.</p>	Employees by employment type and by gender
102-9	Describe supply chain	<p><a href="#">Business partners and suppliers</a></p> <p><a href="#">Supply chain impacts</a></p> <p><a href="#">Supply chain selection and monitoring</a></p>	Data for diverse supplier spend is currently only available for our California utilities.
102-10	Significant changes from previous report regarding size, structure, and ownership	<p><a href="#">Year in review 2017 10K</a></p> <p>Sempra Renewables acquired the 200-megawatt Great Valley Solar project in Fresno County, Calif., from Recurrent Energy, a wholly owned subsidiary of Canadian Solar Inc. Mexican subsidiary IEnova was awarded a 20-year concession by the Veracruz Port Administration in Mexico to build and operate a liquid fuels marine terminal on the Mexican Gulf Coast.</p> <p>On March 9, 2018, we completed our \$9.45 billion acquisition of Energy Future Holdings Corp., including its approximate 80-percent indirect ownership interest in Oncor Electric Delivery Company LLC, a regulated electric transmission and distribution company and the largest utility in Texas.</p>	

Standard number	Description	Response	Omissions
102-11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	<a href="#">Risk management</a>	
102-12	External charters, principles, initiatives	These are referenced throughout the 2017 Corporate Sustainability Report.	
102-13	Memberships in associations	On <a href="#">sempra.com</a> we publish a list of trade organizations and business memberships which received annual dues and payments of \$20,000 or more.	
102-14	Statement from senior decision-maker	Letter from our CEO	
102-15	Key impacts, risks and opportunities	<a href="#">Risk management</a> <a href="#">The environment</a> <a href="#">Performance data</a> <a href="#">Goals and results</a> <a href="#">2017 10K</a>	
102-16	Values, principles, standards and norms of behavior such as code of conduct and code of ethics	<a href="#">Codes of conduct:</a> - Board of directors and senior officers - Employees - Suppliers <a href="#">Values and code of conduct</a>	
102-17	Mechanisms for advice and concerns about ethics	<a href="#">Values and code of conduct</a>	
102-18	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	<a href="#">Governance</a> <a href="#">2018 Proxy Statement</a> <a href="#">Board Committee Charters</a> The board's Environmental, Health, Safety and Technology Committee assists the board in overseeing the company's programs and performance related to these matters. The committee also reviews the annual corporate sustainability report prior to its publication and is briefed on related data and content. This committee's focus is consistent with the board's general oversight role of corporate sustainability and stewardship.	
102-20	Identify executive-level position with responsibility for economic, environmental and social topics and reporting to highest governance body.	Dennis Arriola, Chief Strategy Officer, Executive Vice President of External Affairs and South America, also serves as Sempra Energy's Chief Sustainability Officer. Arriola reports directly to Jeffrey Martin, CEO of Sempra Energy.	
102-21	Mechanisms for consultation between stakeholders and highest governance body on economic, environmental and social topics	<a href="#">2018 Proxy Statement</a> <a href="#">Governance</a>	
102-22	Composition of the highest governance body and its committees	<a href="#">2018 Proxy Statement</a>	
102-23	Indicate whether the chair of the highest governance body is also an executive officer, and if so, reason for this arrangement.	Sempra Energy shareholder proposals have included the request that the company adopt a policy that our chairman of the board be independent and not a current or former executive of the company. Our board of directors believes we are best served by retaining the board's flexibility to determine on a case-by-base basis whether the chief executive officer or an independent director should serve as chairman of the board. During those periods in which our chairman is not independent, an independent lead director is appointed by the independent members of our board. William C. Rusnack has served in this role since 2009. Sempra Energy has established a strong lead director role, consistent with input from shareholders.	

Standard number	Description	Response	Omissions
102-24	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	<a href="#">Corporate Governance Guidelines</a> <a href="#">2018 Proxy Statement</a> <a href="#">Governance</a>	
102-25	Processes in place for the highest governance body to ensure conflicts of interest are avoided	<a href="#">Corporate Governance Guidelines</a> <a href="#">2018 Proxy Statement</a>	
102-26	Role of highest governance body in setting purpose, values and strategy	<a href="#">Governance</a>	
102-27	Collective knowledge of highest governance body	<a href="#">Governance</a>	
102-28	Process for evaluating the board's own performance	<a href="#">Corporate Governance Committee Charter</a>	
102-32	Highest governance body's role in sustainability reporting	<a href="#">Governance</a>	
102-35	Remuneration policies for highest governance body and senior executives; Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance	<a href="#">2018 Proxy Statement</a>	
102-36	Process for determining remuneration	<a href="#">2018 Proxy Statement</a>	
102-37	How stakeholders' views are sought and taken into account regarding remuneration and whether they are independent of management	<a href="#">Governance</a> <a href="#">2018 Proxy Statement</a>	
102-40	List of stakeholder groups engaged by the organization	Engaging, building trust and fostering relationships with our stakeholders leads to a more stable and predictable business environment. These stakeholders include: our employees; the consumers we serve; the hundreds of communities where we do business; regulators, policymakers and concerned leaders in the jurisdictions where we operate; and our shareholders.  <a href="#">Governance</a> <a href="#">Employees</a> <a href="#">Customers and communities</a> <a href="#">About this report</a>	
102-41	Percentage of employees covered by collective bargaining agreements	<a href="#">Labor relations</a>  Field employees and some technical, administrative and clerical employees are represented by labor unions in their respective countries. Nearly one-half of Sempra Energy's U.S. employees, and 31 percent of our non-U.S. employees, are represented by labor unions.  <a href="#">2017 10K</a>	
102-42	Basis for identification and selection of stakeholders with whom to engage	<a href="#">Governance</a> <a href="#">Customers and communities</a> <a href="#">About this report</a>	
102-43	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	<a href="#">Governance</a> <a href="#">Customers and communities</a> <a href="#">About this report</a> <a href="#">Stakeholder Engagement Policy</a>	
102-44	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	<a href="#">Governance</a> <a href="#">Customers and communities</a> <a href="#">About this report</a> <a href="#">Stakeholder Engagement Policy</a>	

Standard number	Description	Response	Omissions
102-45	Entities included in financial statements, and specify which are included/excluded from this report.	<p>Sempra Energy's principal operating units are:</p> <p><b>Sempra Utilities</b></p> <ul style="list-style-type: none"> <li>- SDG&amp;E and SoCalGas, which are separate, reportable segments;</li> <li>- South American Utilities which includes Chilquinta Energía in Chile and Luz del Sur in Peru</li> <li>- Oncor Electric Delivery Company (as of March 9, 2018)</li> </ul> <p><b>Sempra Infrastructure</b></p> <ul style="list-style-type: none"> <li>- Sempra Mexico includes IEnova, one of the largest private energy companies in Mexico</li> <li>- Sempra LNG &amp; Midstream develops liquefied natural gas facilities, midstream natural gas infrastructure and natural gas storage</li> <li>- Sempra Renewables is a leading U.S. developer of renewable energy. Together with its partners, the company owns and operates nearly 2,600 megawatts of renewable energy capacity.</li> </ul> <p>Information and data on all operating units is included in this report, except for Oncor which became part of Sempra Energy through the acquisition of Energy Future Holdings Corp, finalized in March 2018. Limitations are noted per metric within the Content Index omissions column or as footnotes throughout the report.</p>	
102-46	Process for defining report content and topic boundaries	<a href="#">About this report</a>	Partial response.
102-47	List all material topics identified in the process for defining report content	<a href="#">About this report</a>	
102-48	Explanation of the effect of any re-statements of information provided in earlier reports	2016 greenhouse gas emissions data was updated following an independent review.	
102-49	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	<p>On October 1, 2014, Sempra Natural Gas and its joint venture project partners completed the formation of a joint venture for their investment in the development, construction and operation of a natural gas liquefaction export facility. Our 50.2-percent retained equity in the joint venture, Cameron LNG Holdings, was derived from the contribution of our existing Cameron LNG regasification facility in Hackberry, Louisiana, to the joint venture. Given the significance of this project to our future earnings we will report 50.2 percent of the data associated with this facility even though we do not have operational control. All three trains at the project are expected to be producing LNG in 2019.</p> <p>Report data does not include data for Oncor Electric Delivery Company. On March 2, 2018, Sempra Energy acquired Energy Future Holdings Corp. (Energy Future), the indirect owner of approximately 80 percent of Oncor Electric Delivery Company LLC. The 2018 report will include information related to Oncor.</p> <p><a href="#">About this report</a></p>	
102-50	Reporting Period	Calendar year 2017	
102-51	Date of most recent previous report	June 2017, covering calendar year 2016	
102-52	Reporting cycle	Annual	
102-53	Contact information	Molly Cartmill, Director, Corporate Social Responsibility <a href="mailto:corporateresponsibility@sempra.com">corporateresponsibility@sempra.com</a>	
102-54	"In accordance" option	<a href="#">About this report</a>	
102-55	Location of GRI Index	<a href="#">GRI Index</a>	

Standard number	Description	Response	Omissions																														
102-56	Assurance	Greenhouse gas emissions for 2016 were verified as follows: SDG&E, and SoCalGas, by Lloyd's Register Quality Assurance, Inc.; and Termoeléctrica de Mexicali, by Cameron-Cole, LLC. The verification process for 2017 greenhouse gas emissions will be completed later in 2018. We are working towards assurance for other data in our corporate sustainability report in future years.																															
EU1	Installed capacity, broken down by primary energy source and by regulatory regime	<p>Installed capacity (MW)</p> <table border="1"> <thead> <tr> <th></th> <th>U.S.</th> <th>Mexico</th> <th>Chile</th> <th>Peru</th> </tr> </thead> <tbody> <tr> <td>Thermal:</td> <td></td> <td></td> <td>8</td> <td></td> </tr> <tr> <td>Natural Gas:</td> <td>1,193</td> <td>625</td> <td></td> <td></td> </tr> <tr> <td>Wind:</td> <td>758</td> <td>329.5</td> <td></td> <td></td> </tr> <tr> <td>Solar:</td> <td>832</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Hydro:</td> <td></td> <td></td> <td></td> <td>100</td> </tr> </tbody> </table>		U.S.	Mexico	Chile	Peru	Thermal:			8		Natural Gas:	1,193	625			Wind:	758	329.5			Solar:	832				Hydro:				100	
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EU2	Net energy output broken down by primary energy source and by regulatory regime	<p>Energy output (MWh)</p> <table border="1"> <thead> <tr> <th></th> <th>U.S.</th> <th>Mexico</th> <th>Chile</th> <th>Peru</th> </tr> </thead> <tbody> <tr> <td>Thermal:</td> <td></td> <td></td> <td>290</td> <td></td> </tr> <tr> <td>Natural Gas:</td> <td>3,694,175</td> <td>2,882,711</td> <td></td> <td></td> </tr> <tr> <td>Wind:</td> <td>2,224,502</td> <td>1,154,399</td> <td></td> <td></td> </tr> <tr> <td>Solar:</td> <td>1,879,450</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Hydro:</td> <td></td> <td></td> <td></td> <td>652,050</td> </tr> </tbody> </table>		U.S.	Mexico	Chile	Peru	Thermal:			290		Natural Gas:	3,694,175	2,882,711			Wind:	2,224,502	1,154,399			Solar:	1,879,450				Hydro:				652,050	
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EU3	Number of residential, industrial, institutional, and commercial customer accounts	<a href="#">2017 Statistical Report</a>																															
EU4	Length of above and underground transmission and distribution lines by regulatory regime	<table border="1"> <thead> <tr> <th></th> <th>U.S.</th> <th>Chile</th> <th>Peru</th> </tr> </thead> <tbody> <tr> <td>Above ground (miles):</td> <td>25,359</td> <td>10,470</td> <td>13,957</td> </tr> <tr> <td>Underground (miles):</td> <td>14,432</td> <td>365</td> <td>8,187</td> </tr> </tbody> </table>		U.S.	Chile	Peru	Above ground (miles):	25,359	10,470	13,957	Underground (miles):	14,432	365	8,187																			
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EU5	Allocation of CO <sub>2</sub> e emissions allowances or equivalent, broken down by carbon trading framework	<p><u>Emissions</u></p> <p>As part of the effort to meet California's legal requirement that GHG emissions be reduced to 1990 levels by 2020, a cap and trade program was adopted. We participate in the program, which is now linked with Québec's cap and trade system. The first auction of vintage 2013 and 2016 allowances took place in November 2012 and quarterly auctions began in February 2013. Cap and trade compliance began in 2013, with the first compliance period covering electric generators, electricity importers and industrial sources that emit more than 25,000 metric tons of CO<sub>2</sub>e per year. Phase 2 began in January 2016 and expanded to include distributors of fuels.</p> <p>See <a href="https://www.arb.ca.gov/cc/capandtrade/capandtrade.htm">https://www.arb.ca.gov/cc/capandtrade/capandtrade.htm</a> for more information.</p>																															
103-1	Topic boundaries within the organization	See Appendix																															
103-2	Management approach	<p><a href="#">Strategy and assets</a></p> <p><a href="#">Values and code of conduct</a></p> <p><a href="#">Performance data</a></p> <p><a href="#">Goals and results</a></p> <p>Also see references under each material topic.</p>																															

## Specific standard disclosures

Standard number	Description	Response	Omissions
<b>Category: Economic</b>			
<b>Economic performance</b>			
103-2	Management approach	Sempra Energy combines deep industry expertise with rigorous risk management to deliver superior shareholder returns. A company's financial performance matters, not just to its employees and shareholders, but also to its suppliers and contractors; to the customers it serves; and to the communities and governmental jurisdictions where it does business.  <u>Year in review</u> <u>2017 Annual Report</u>	
201-1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	<u>Customers and communities</u> Economic value, (For year ended December 31, 2017, unaudited, dollars in millions) Economic value generated: Revenues \$11,207 Interest and dividend receipts \$72 Proceeds from sale of assets and investments \$17 <b>Direct economic value generated \$11,296</b> Economic value distributed: Operating costs \$4,921 Employee wages and benefits 2,099 Shareholders and providers of capital 634 Payments to government \$539 Shareholder dividends \$886 Community investments \$24 <b>Economic value distributed \$9,103</b> Economic value retained (generated - distributed) \$2,193	
201-2	Financial implications and other risks and opportunities for the organization's activities due to climate change	<u>Risk management</u> <u>Climate change</u>  In this year's report we have included additional content in response to recommendations put forth by the Task Force on Climate-related Financial Disclosure (TCFD). Sempra's response to the CDP's climate change survey also covers this in detail. Please see <a href="http://www.cdp.net">www.cdp.net</a> <u>2017 10K</u>	
201-3	Coverage of the organization's defined benefit plan obligations	<u>2017 Annual Report</u>	
201-4	Significant financial assistance received from government	No significant financial assistance was received from any of the governments in countries where we have operations.  <u>2017 Annual Report</u>	
<b>Market presence: This topic did not meet our threshold for materiality</b>			
<b>Indirect economic impacts</b>			
103-2	Management approach	Energy is vital to the communities we serve. We engage with customers and community leaders to identify and discuss potential infrastructure needs and impacts and learn about ways to mitigate them.	
203-1	Development and impact of infrastructure investments and services supported	<u>Customers and communities</u> <a href="http://www.semprarenewables.com/our-commitment/community/">http://www.semprarenewables.com/our-commitment/community/</a>	
203-2	Significant indirect economic impacts, including the extent of impacts	<u>Customers and communities</u> <a href="http://www.semprarenewables.com/our-commitment/community/">http://www.semprarenewables.com/our-commitment/community/</a> <a href="http://www.ienova.com.mx/social.php?v=2.0.0.0">http://www.ienova.com.mx/social.php?v=2.0.0.0</a> <a href="http://sempralng.com/community/">http://sempralng.com/community/</a>	

Standard number	Description	Response	Omissions												
<b>Procurement practices</b>															
103-2	Management approach	<a href="#">Supply chain impacts</a> <a href="#">Business partners and suppliers</a>													
204-1	Proportion of spending at significant locations of operation	At our California utilities, 62 percent of total supplier spend in 2017 was with suppliers headquartered in California.	Partially reported-only data from California utilities is included.												
<b>EU Sector Topic: availability and reliability</b>															
EU10	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime	<a href="#">2017 Annual Report</a> <a href="#">SDG&amp;E Long-Term Procurement Plan</a>	Partially reported-only data from California utilities is included.												
<b>EU Sector Topic: system efficiency</b>															
EU11	Average generation efficiency of thermal plants by energy source and by regulatory regime	Natural gas <table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td>U.S.</td> <td>Mexico</td> </tr> <tr> <td>7,754</td> <td>7,345</td> </tr> </table>	U.S.	Mexico	7,754	7,345	Partially reported, data from 8-megawatt power plant in Chile is not included.								
U.S.	Mexico														
7,754	7,345														
EU12	Transmission and distribution losses as a percentage of total energy	<table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td>Transmission losses</td> <td>U.S.</td> <td>Chile</td> <td>Peru</td> </tr> <tr> <td>Distribution losses</td> <td>1.39%</td> <td>1%</td> <td>2%</td> </tr> <tr> <td></td> <td>2.09%</td> <td>8.10%</td> <td>5%</td> </tr> </table>	Transmission losses	U.S.	Chile	Peru	Distribution losses	1.39%	1%	2%		2.09%	8.10%	5%	
Transmission losses	U.S.	Chile	Peru												
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<b>Anti-corruption</b>															
103-2	Management approach	<a href="#">Code of Business Conduct</a> <a href="#">Values and codes of conduct</a>													
205-1	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	All business units are analyzed for risks associated with corruption.													
205-2	Communication and training on anti-corruption policies and procedures	To emphasize the importance of ethics and compliance, we require all employees to complete a training curriculum each year, customized according to their position and responsibilities. The courses address topics such as insider trading; Sarbanes-Oxley regulations; anti-corruption, including local laws and the Foreign Corrupt Practices Act; Federal Energy Regulatory Commission Standards of Conduct; California Public Utilities Commission affiliate-compliance rules; safety; harassment-free workplace; and workplace violence.  <a href="#">Governance</a> <a href="#">Risk management</a> <a href="#">Code of Business Conduct</a>													
205-3	Confirmed incidents of corruption and actions taken	No incidents of corruption identified.													
<b>Anti-competitive behavior: This topic did not meet our threshold for materiality, but we are providing some information because of its importance to some stakeholders</b>															
103-2	Management approach	Federal and state antitrust laws were enacted to promote competition, preserve our private enterprise system and protect the public, including companies like Sempra Energy and its subsidiaries, from predatory conduct and unfair competition. It is the long established policy of Sempra Energy and its subsidiaries (the "Companies") to comply with all laws applicable to their conduct and, specifically, with the antitrust laws. Compliance with the antitrust laws can only further the Companies' goals since those laws are intended to protect and preserve a competitive economy in which private enterprise can flourish.  <a href="#">Code of Business Conduct</a>													
206-1	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	There were no legal actions taken for anti-competitive behavior in 2017.													

Standard number	Description	Response	Omissions
<b>Category: Environmental</b>			
<b>Materials: This topic did not meet our threshold for materiality</b>			
<b>Energy</b>			
103-2	Management approach	At Sempra Energy, our business strategy is directly linked to our forecast that demand for lower-carbon sources of energy will continue to rise. Our commitment to respecting the environment is aligned with our commitment to delivering shareholder value. We promote energy efficiency; develop and operate lower-carbon energy infrastructure; and embrace innovation because these activities help the environment and position us to succeed in a low-carbon world.  <u>Strategy and assets</u> <u>Climate change</u>	
302-1	Energy consumption within the organization	See our response to the CDP climate change survey at <a href="http://www.cdp.net">www.cdp.net</a>	
302-2	Energy consumption outside of the organization	As an energy utility we work to safely and reliably deliver electricity and natural gas.  - Kilowatt-hour sales (millions of hours): 39,478 - Total natural gas throughput (billion cubic feet): 1,008	
302-3	Energy intensity	<u>Emissions</u>	
302-4	Reductions in energy consumption	<u>Goals and results</u>	Only data for electricity reduction at SDG&E and SoCalGas employee-occupied facilities is included.
<b>Water</b>			
103-2	Management approach	<u>Water</u> <u>Water Policy</u>	
303-1	Total water withdrawal by source	Sempra's response to the CDP's water survey also covers this in detail. Please see <a href="http://www.cdp.net">www.cdp.net</a> . All numbers in billions of gallons: Surface water: 26.6 Groundwater: .16 Rainwater: 0 Waste water: 1.98 Municipal water: .19	We continue to improve data collection around our water use, but these numbers do not yet account for all of our operations.
303-3	Percentage and total volume of water recycled and reused	Several of our facilities utilize recycled water in their operations. For example, SDG&E's 566-megawatt Palomar Energy Center uses reclaimed water (treated wastewater) to generate electricity and IEnova's 625-megawatt Termoeléctrica de Mexicali power plant uses treated sewage, cleaned in our own water treatment facility, to cool the plant.  <u>Water</u>	Partially reported.
<b>Biodiversity</b>			
103-2	Management approach	<u>Biodiversity</u> <u>Biodiversity Policy</u>	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	<u>Biodiversity</u>	Partially reported, not all data available.
304-2	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	<u>Biodiversity</u>	Partially reported, not all data available.

Standard number	Description	Response	Omissions
304-3	Habitats protected or restored	<a href="#">2017 Annual Report</a> <a href="#">SDG&amp;E preservation properties</a> <a href="#">Enova Sustainability Report</a>	Partially reported, not all data available.
304-4	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	<ul style="list-style-type: none"> <li>- <i>Coastal California gnatcatcher</i>: Federal - Threatened; California Department of Fish and Wildlife (CDFW) - Species of Special Concern</li> <li>- <i>Quino checkerspot butterfly</i>: Federal - Endangered</li> <li>- <i>Arroyo toad</i>: Federal - Endangered; CDFW - Species of Special Concern</li> <li>- <i>Least Bell's vireo</i>: Federal and State - Endangered</li> <li>- <i>Southwestern willow flycatcher</i>: Federal and State - Endangered</li> <li>- <i>Barefoot banded gecko</i>: State - Threatened</li> <li>- <i>Peninsular bighorn sheep</i>: Federal and State - Threatened; CDFW - Fully Protected</li> <li>- Hawaiian hoary bat: Federal and State - Endangered</li> </ul>	Partially reported.

**Emissions**

103-2	Management approach	<a href="#">Climate change Emissions</a>	
305-1	Direct greenhouse gas emissions (Scope 1)	<a href="#">Emissions</a> Sempra's response to the CDP's climate change survey also covers this in detail. Please see <a href="http://www.cdp.net">www.cdp.net</a> .	
305-2	Indirect greenhouse gas emissions (Scope 2)	<a href="#">Emissions</a> Sempra's response to the CDP's climate change survey also covers this in detail. Please see <a href="http://www.cdp.net">www.cdp.net</a> .	
305-3	Indirect greenhouse gas emissions (Scope 3)	<a href="#">Emissions</a> Sempra's response to the CDP's climate change also covers this in detail. Please see <a href="http://www.cdp.net">www.cdp.net</a> .	
305-4	GHG Emissions intensity	<a href="#">Emissions</a>	
305-5	Reduction of greenhouse gas emissions	<a href="#">Emissions</a>	
305-7	NOx, SOx, and other significant air emissions by type	<a href="#">Performance data table</a>	

**Effluents and waste**

103-2	Management approach	<a href="#">Waste and recycling Environmental Policy</a>	
306-1	Total water discharge by quality and destination	<a href="#">Water</a> Sempra's response to the CDP's water survey also covers this in detail. Please see <a href="http://www.cdp.net">www.cdp.net</a>	Partially reported, not all data available, including thermal discharges.
306-2	Total weight of waste by type and disposal method	2017 waste disposal (in short tons) Non-hazardous waste recycled: 3,438 Non-hazardous waste incinerated: 208 Non-hazardous waste disposed of through deep well injection: 1,656 Non-hazardous waste disposed of in a landfill: 18,986 Non-hazardous waste disposed of by other methods: 78,411  Hazardous waste recycled: 90,728 Hazardous waste recovered: 58 Hazardous waste incinerated: 154 Hazardous waste disposed of in a landfill: 1,181 Hazardous waste disposed of by other methods: 197	
306-3	Total number and volume of significant spills	Sempra Energy did not experience any significant spills in 2017.	

**Environmental compliance**

Standard number	Description	Response	Omissions
103-2	Management approach	<a href="#">Governance</a> <a href="#">Risk management</a> <a href="#">Environmental compliance</a>	
307-1	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	<a href="#">Environmental compliance</a>	

Transport: *This topic did not meet our threshold for materiality*

Supplier environmental assessment

103-2	Management approach	<a href="#">Supply chain impacts</a> <a href="#">Business partners and suppliers</a> <a href="#">Supplier Code of Conduct</a>	
308-1	Percentage of new suppliers that were screened using environmental criteria	At our California utilities, SDG&E and SoCalGas, all new suppliers are screened using environmental criteria.	Partially reported. Other U.S. and international operations are not included in this response, we are working to expand our reporting in this area in future years.
308-2	Significant actual and potential negative environmental impacts in the supply chain and actions taken	We are unaware of any actual or potential negative environmental impacts in our supply chain.	

Environmental grievance mechanisms: *This topic did not meet our threshold for materiality*

Category: Social

Employment

103-2	Management approach	<a href="#">Employees</a>	
401-1	Total number and rates of new employee hires and employee turnover by age group, gender and region	U.S. Employee turnover: 11% Voluntary turnover: 8%	Partially reported.
EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and region	U.S. Eligible to retire in 5 years: 30% Eligible to retire in 10 years: 39%	Partially reported.
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training	Sempra Energy is committed to the health and safety of its employees, customers, suppliers and the communities in which we operate. Our suppliers are expected to provide a safe working environment that supports accident prevention and minimizes exposure to health risks. It is the supplier's responsibility to know and understand the health and safety laws and regulations impacting the goods and services they provide.	

Labor/Management relations

103-2	Management approach	Nearly one-half of Sempra Energy U.S. employees and 31 percent of non-U.S. employees are represented by labor unions. We value our association with the unions that represent our employees and work collaboratively with them to achieve results that are beneficial to employees, customers and the Sempra Energy family of companies.  At Sempra Energy, we are not satisfied unless every employee and contractor returns home safely after every workday. Our culture of personal responsibility is a critical part of safety performance. Our goal is for each employee and contractor to feel personally responsible and empowered to take care of their safety as well as the safety of those around them.  <a href="#">Compliance and management systems</a> <a href="#">Employees</a> <a href="#">Customers and communities</a>	
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Standard number	Description	Response	Omissions
402-1	Minimum notice regarding operational changes, including whether it is specified in collective agreements	<a href="#">2017 Annual Report</a>	
<b>Occupational health and safety</b>			
403-1	Workers representation in formal joint management-worker health and safety committees	<a href="#">Safety</a> <a href="#">Labor relations</a>	Percentage of workers represented by committees
403-2	Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities by region and gender	<a href="#">Employees</a>	
403-4	Health and safety topics in formal agreements	<a href="#">2017 Annual Report</a>	
<b>Training and education</b>			
103-2	Management approach	Delivering safe, clean, reliable, affordable energy requires significant human capital, creativity and care. When our people are trained, challenged and empowered to take initiative, our business thrives. <a href="#">Employees</a>	
404-1	Average hours of training per year per employee by gender and employee category	Average hours of training and development per FTE in 2017 was 38.	Partially reported.
404-2	Programs for skills management and lifelong learning	<a href="#">Employees</a>	
404-3	Percentage of employees receiving regular performance reviews by gender and employee category	All employees receive regular performance reviews from their manager.	
<b>Diversity and equal opportunity</b>			
103-2	Management approach	<a href="#">Employees</a>	
405-1	Composition of governance bodies and breakdown of employees per employee category according to gender, age, minority group member (other diversity)	<a href="#">Governance</a> <a href="#">Employees</a>	Partially reported.
<b>Sub-category: Human rights</b>			
<b>Non-discrimination:</b> <i>This topic did not meet our threshold for materiality.</i>			
<b>Freedom of association and collective bargaining</b>			
103-2	Management approach	<a href="#">Supplier Code of Conduct</a>	
407-1	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	No operations or suppliers identified. <a href="#">2017 Annual Report</a> <a href="#">Supplier Code of Conduct</a>	
<b>Child labor:</b> <i>Although this topic did not meet our threshold for materiality, we are providing some information because of its importance to some stakeholders.</i>			
103-2	Throughout all of our operations, and across all stakeholder groups, Sempra Energy respects human rights. We recently completed a human rights assessment, which included peer benchmarking as well as an analysis of our worldwide operations for areas of potential risk and opportunity.	<a href="#">Customers and communities</a> <a href="#">Human Rights Policy</a>	
<b>Forced or compulsory labor:</b> <i>This topic did not meet our threshold for materiality.</i>			
<b>Security practices:</b> <i>This topic did not meet our threshold for materiality.</i>			

Standard number	Description	Response	Omissions
<b>Rights of indigenous peoples</b>			
103-2	Management approach	<a href="#">Customers and communities</a> <a href="#">Human Rights Policy</a>	
411-1	Violations of indigenous peoples rights and response and actions taken	No violations have been identified. <a href="#">Human Rights Policy</a>	
<b>Human rights assessment</b>			
103-2	Management approach	<a href="#">Code of Business Conduct</a> <a href="#">Human Rights Policy</a>	
412-1	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	<a href="#">Human rights</a> <a href="#">Human Rights Policy</a>	
<b>Subcategory: Society</b>			
<b>Local communities</b>			
103-2	Management approach	Energy is vital to the communities we serve. The infrastructure that delivers this energy includes power poles, substations, service trucks, transformers, valves, meters, pipes and wires. We engage with customers and community leaders to identify and discuss potential infrastructure impacts and learn about ways to mitigate them. Sempra's businesses connect with their customers through mail, email, door hangers, advertising, social media and news media. They host community forums, arrange face-to-face meetings and convene community advisory councils – representative groups of regional leaders who provide input on locally relevant topics. Customer satisfaction surveys provide data that indicate how well Sempra's businesses are serving their customers. With this information, our utilities are able to identify areas where improvement is needed and implement changes to their customer approach, policies and programs.  <a href="#">Customers and communities</a> <a href="#">Stakeholder Engagement Policy</a>	
413-1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	<a href="#">Customers and communities</a> Given the nature of our business, our subsidiaries are deeply engaged and connected with all of the communities we serve. <a href="#">Stakeholder Engagement Policy</a>	Partially reported, not all data available.
<b>Supplier social assessment</b>			
103-2	Management approach	<a href="#">Supplier Code of Conduct</a> <a href="#">Supply chain impacts</a> <a href="#">Business partners and suppliers</a>	
414-1	Total and percent of new suppliers and contractors that have undergone human rights screening	All suppliers are expected to comply with Sempra's Supplier Code of Conduct and all applicable employment laws and regulations, including, but not limited to state, federal and applicable in-country laws and regulations regarding: equal employment opportunity; compensation and benefits; child labor; freedom of association; forced or compulsory labor; workplace harassment and discrimination; working hours; payment of wages; verification of employment eligibility; health and safety; and whistleblower protections.	
414-2	Significant actual and potential negative social impacts in the supply chain and actions taken	We are unaware of any actual or potential negative social impacts in our supply chain.	
<b>Public policy</b>			
103-2	Management approach	<a href="#">Political involvement</a>	
415-1	Total value of political contributions by country and recipient/boundary	<a href="#">Political contributions</a>	

Standard number	Description	Response	Omissions
<b>Sub-category: Product responsibility</b>			
<b>Customer health and safety</b>			
103-2	Management approach	<u>Customers and communities</u>	
416-1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Sempra Energy's subsidiaries provide gas and electric services to customers. Impacts of both of these products are assessed.	
416-2	Total number of incidents of non-compliance with regulations and/or voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	No incidents identified.	
EU25	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases	<u>Customers and communities</u>	
<b>Marketing and labeling: This topic did not meet our threshold for materiality</b>			
<b>Customer privacy</b>			
103-2	Management approach	Cybersecurity includes the protection of our own operations and activities and the protection of sensitive customer data. The utility industry faces new cybersecurity risks associated with automated metering and smart grid infrastructure. Virtually all SDG&E and SoCalGas customers have smart or advanced meters. While these new technologies will provide many benefits to customers, including access to their own energy-usage data, both utilities actively monitor, assess and update their systems to avoid cyber breaches. <u>Sempra Energy 2017 10K</u>	
418-1	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	No substantiated complaints identified.	
<b>Socioeconomic compliance</b>			
103-2	Management approach	<u>Governance</u> <u>Environmental compliance</u> <u>Code of Business Conduct</u>	
419-1	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and/or regulations	<u>Environmental compliance</u>	
<b>EU sector topic Access</b>			
EU26	Percentage of population unserved in licensed distribution or service areas	Access to electricity is also an issue in some areas served by our South American utilities, where not everyone is connected to the grid. Peruvian utility Luz del Sur has brought electricity to thousands of Peruvians who live in underprivileged areas through participation in a government program intended to improve economic development and productivity by connecting those communities to electric service.	Partially reported, not all data available.
EU27	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime	Number of residential disconnections for non-payment is provided for Sempra's electric and/or natural gas utilities.  Chilquinta Energía: 155,552 Ecogas: 3,238 Luz del Sur: 701,239 SDG&E: 46,331 SoCalGas: 96,426	Partially reported, duration of disconnection is not included.
EU28	Power outage frequency	<u>Goals and results</u>	
EU29	Average power outage duration	<u>Goals and results</u>	
EU30	Average plant availability factor by energy source and by regulatory regime	Natural gas: United States 88% Mexico 82%	

## Appendix: 103-1

Material issue for Sempra	Corresponding GRI Standards topic	Boundary within Sempra	Boundary outside Sempra
Climate change and emissions	Emissions; Energy; Products and services	All	Customers; Elected officials, community leaders, investors and regulators
Compliance	Environmental compliance; Overall; Biodiversity; Effluents and waste; Public policy; Socioeconomic compliance	All	Customers; Elected officials, community leaders, investors and regulators
Customers and communities	Customer health and safety; Customer privacy; Economic performance; Indirect economic impacts; Rights of indigenous peoples; Human rights assessment; Local communities; Access (EU)	All	Customers; Elected officials, community leaders, investors and regulators
Employee engagement & safety	Occupational health and safety; Labor-management relations; Training and education; Diversity and equal opportunity; Freedom of association and collective bargaining	All	Customers; Elected officials, community leaders, investors and regulators
Environmental impact	Emissions; Energy; Products and services; Water; Biodiversity; Effluents and waste	All	Customers; Elected officials, community leaders, investors and regulators
Ethics and governance	Local communities; Anti-corruption; Customer privacy; Labor/management relations; Diversity and equal opportunity; Non-discrimination; Freedom of association; Indigenous rights; Assessment; Access (EU)	All	Customers; Elected officials, community leaders, investors and regulators
Rates and reliability	Local communities; Access (EU) Availability and reliability (EU); System efficiency (EU)	All utilities	Customers; Elected officials, community leaders, investors and regulators
Supply chain	Procurement practices; Supplier environmental assessment; Supplier social assessment	All	Select external stakeholders
The future	Training and education; Employment	All	Select external stakeholders
Water	Water; Effluents and waste	All	Select external stakeholders

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