



Political Engagement and Contributions

Sempra Energy and its business units consider engaging with policymakers to be an important and necessary part of doing business. We monitor hundreds of proposed laws, rules, regulations and policies, and engage at the federal, state, and local levels of government to ensure that the perspectives of our company, our shareholders, our customers and our employees are represented before lawmakers and regulators. When warranted, we also take positions for or against proposals and sometimes suggest amendments as part of the public policy process. When operating outside the U.S., our company complies with all applicable laws and is committed to acting in an ethical manner when conducting business.

We believe that public policy engagement is an important and appropriate role for companies, as long as it is conducted in a legal and transparent manner. In the U.S., there are federal, state and local lobbying registration and disclosure laws with which Sempra Energy and its business units comply, and the company has a robust training and reporting program in place to ensure compliance.

Governance and Decision-Making

The Corporate Governance Committee of our Board of Directors reviews Sempra Energy's public policy priorities on an annual basis. This committee also reviews the political contributions made during the prior year. While our Board provides oversight, the most senior Sempra Energy external affairs officer, Dennis V. Arriola, chief strategy officer and executive vice president of external affairs and South America, is responsible for the activities, positions and daily decision-making consistent with this oversight.

Procedurally, corporate political spending plans and decisions are reviewed and approved by senior management.

- 1) Individuals responsible for government affairs in each of Sempra Energy's business units prepare political contributions budgets for the local jurisdictions and states where the company has operations.
- 2) Those budgets are then reviewed by the business units' boards of directors and are submitted to Sempra Energy External Affairs for review and approval.
- 3) Once budgets are finalized, each contribution is reviewed and authorized by a vice president or higher-level officer.
- 4) Legal compliance reviews are conducted before contributions are made to ensure they comply with applicable laws. Contributions over \$100,000 require approval of the most senior external affairs officer.



Sempra Energy has a department dedicated to all aspects of compliance with applicable political laws and reporting obligations. This department, with the assistance of legal counsel, informs and educates employees, analyzes legal compliance, monitors and communicates changes in laws, and collects disclosure information in a centralized database which is then used to prepare disclosure reports. The training and outreach program consists of the following:

- An online training course required for all external-facing employees, officers, attorneys and directors;
- In-person and/or webinar training regimen for all new hires and transfers;
- In-person and/or webinar training for groups identified as having the potential for interface with public officials; and
- A company intranet site dedicated to political reporting and compliance, which has information on lobbying, gifts, contributions and political fundraising.

Management oversight for corporate political activity and the Sempra Energy Employees' Political Action Committee resides with the highest-ranking external affairs executive of the company.

Corporate Political Contributions

Sempra Energy makes corporate political contributions in the U.S. as permitted by law only from corporate shareholder funds. Political contributions are made to candidates, political parties, political action committees and ballot measures in furtherance of public policies that support the company's business interests. Sempra Energy does not use company funds to make contributions to federal Super PACs or to officeholder accounts, nor does Sempra Energy make independent expenditures to expressly advocate for the election or defeat of federal, state, or local candidates. If this ever were to change, all changes and updates would be disclosed semi-annually per our commitment to transparency and disclosure. Our position on U.S. energy policy, climate change or other matters material to the company are detailed in the company's annual corporate responsibility report, where more detailed information is also provided on political involvement. The report is published annually and is available on our website, as are archived reports from previous years.

Sempra Energy complies with all federal, state and local laws as well as reporting requirements governing corporate political contributions. Federal law, for example, forbids corporations from giving monetary or in-kind contributions to candidates for federal office. State and local laws dictate the conditions under which corporate political contributions may be made.



Consistent with our commitment to ethical business conduct, political spending reflects Sempra Energy's interests and is not based on the personal interests of any of our individual officers, directors or employees. Furthermore, no contributions are given in anticipation of, in recognition of, or in return for, any official act.

Employee Political Action Committee Contributions

Sempra Energy's employees take an active role in the political environment through the voluntary Sempra Energy state and federal Employees Political Action Committees (collectively, SEEPAC). SEEPAC is independent of any political party. It is designed to provide the employees of Sempra Energy and its affiliates the ability to make financial contributions that can be used to support candidates and participate in the political process. Our employee political action committee spending plans and decisions are reviewed and approved by the Political Action Committee's Board of Directors and also receive political reporting and compliance clearance before checks are issued.

SEEPAC complies with all reporting requirements governing political action committee contributions. Employees are prohibited from making political contributions from personal funds, or through SEEPAC, and then seeking reimbursement from the company.

Trade Association & Business Memberships

Sempra Energy holds memberships in industry, trade and business associations representing the energy industry and the business community. Engaging with other business and industry stakeholders helps us gain perspective and views on public policy issues that impact our company, our shareholders, our customers and our employees.

While we may not always agree with the positions taken by an association or its members, corporate memberships enable us to learn the views of others, obtain feedback, and ultimately, voice our concerns, perspectives and positions on proposed legislation and regulations in a more educated and thoughtful manner.

Transparency and Disclosure

Sempra Energy discloses all corporate political contributions (state and local), political committee contributions (PACs, political parties and other committee types, including 501(c)(4) and 501(c)(6) organizations), and SEEPAC contributions. Sempra also discloses payments to other tax-exempt organizations such as business or trade association memberships where the cost of the membership exceeds \$20,000 and the recipient organization reports to us that a portion of the fees paid were used for lobbying expenditures or that a portion of the contributions is considered non-deductible under Section 162(e)(1)(B) of the IRS. -We disclose



total fees paid to these organizations as well as the amounts attributable to lobbying expense as reported to Sempra Energy by the associations themselves. Beginning in 2014, we began disclosing this information semi-annually.