



# Partnering to build a Bright Future

**2021 Corporate Responsibility  
and Sustainability Report**



Madison Gas and Electric

As your community energy company, Madison Gas and Electric (MGE) recognizes its responsibility to preserve and protect the environment while serving our communities with safe, reliable, affordable and sustainable energy.

We are proactive and forward-thinking in our stewardship and promote sustainability with our partners, suppliers and employees as we work together to build a cleaner, smarter future.

### A message from the Director of Safety, Sustainability and Environmental Affairs

Our commitment to environmental stewardship goes beyond regulatory compliance. Our team in Safety, Sustainability and Environmental Affairs takes a proactive approach to advancing the culture and continual improvement of environmental, safety and sustainability practices throughout our organization. Safety and sustainability are top priorities at MGE. This report highlights how we focus on our sustainability goals and our performance.

*Jeff Jaeckels*  
Director of Safety, Sustainability and Environmental Affairs  
Madison Gas and Electric



# Our Environmental and



# Sustainability Policy

In pursuit of our mission and in support of our commitment to those we serve, MGE:

Complies with all environmental laws, regulations, permit requirements and other corporate environmental commitments and exceeds compliance as demonstrated by the commitments in this policy.

Seeks environment-friendly options and waste minimization when considering sources of supply, material and contractors.

Considers the environmental impacts of applicable company activities and seeks sustainable, cost-effective ways to reduce adverse environmental impacts and risk.

Sets corporate goals and objectives and fosters a culture of continuous improvement in environmental and employee safety performance.

Educates employees about MGE's environmental responsibilities and policy and communicates and reinforces environmental values throughout the company.

Provides regular updates on environmental and sustainability initiatives and performance to MGE's Board of Directors to advance oversight and transparency of company operations.

Explores opportunities to advance new, cost-effective technologies for the benefit of all and to reduce the community's collective environmental footprint.

Partners with community stakeholders to promote environmental education, energy efficiency and conservation.

Communicates openly and honestly with the public regarding MGE's environmental policy and performance.

Contributes to the well-being of its communities through charitable and corporate giving and the service and volunteerism of employees.

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The 20-megawatt (MW) O'Brien Solar Fields in Fitchburg, Wis., serves several large customers under MGE's innovative Renewable Energy Rider program.



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## Our Vision and Commitment

Message about our future from our Chairman, President and CEO and from our Vice President, General Counsel and Secretary about our sustainability efforts.



## Strategy and Climate

A look at our deep decarbonization strategies, stakeholder collaborations, customer programs and clean energy projects for achieving our Energy 2030 and net-zero carbon electricity by 2050 goals.



## Safety and Operations

An overview of how MGE advances safety both internally and externally and of our efforts to protect the environment in day-to-day operations.



## Employees, Customers and Communities

How MGE works to embody our mission as your community energy company and to foster equity and inclusivity in our service to customers and in our workplace.



## Governance and Oversight

Our community-focused board's commitment to environmental stewardship and sustainable practices, effective oversight and risk management.

*This report includes forward-looking statements and estimates of future performance that may differ from actual results because of uncertainties and risks encountered in day-to-day business.*

# Strategy and Sustainability Snapshot

## Our goal

Net-zero carbon electricity by 2050

## Our strategies to achieve deep decarbonization

- » Decarbonize electric generation
- » Help our customers use energy efficiently
- » Electrify other energy uses, including transportation

## Our philosophy

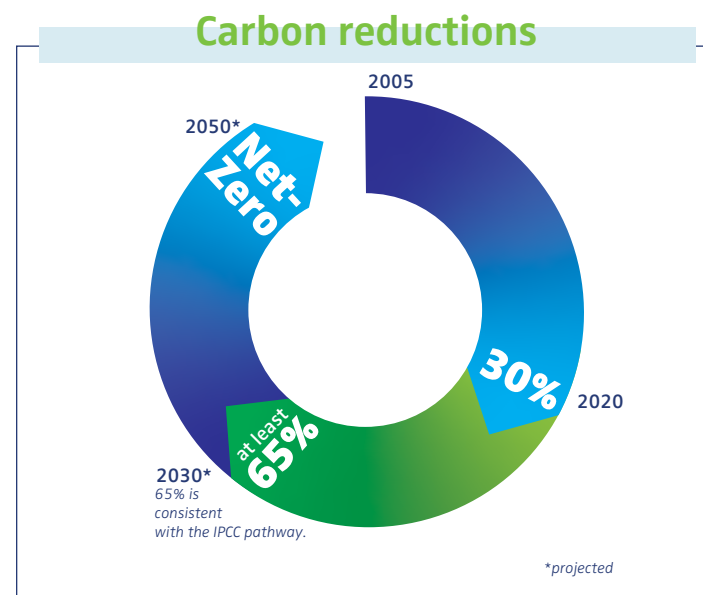
MGE is working to achieve deep decarbonization, consistent with current climate science, as quickly and as cost-effectively as we can. Our carbon reduction goals reflect our vision and signal our direction but do not determine our pace.

## Our carbon emissions reductions

In May 2019, MGE announced a goal of net-zero carbon electricity by 2050, which aligns with the Intergovernmental Panel on Climate Change (IPCC) and its assessment of limiting global temperature increases to 1.5 degrees Celsius. Consistent with climate science, we expect to achieve carbon reductions of at least 65% by 2030.

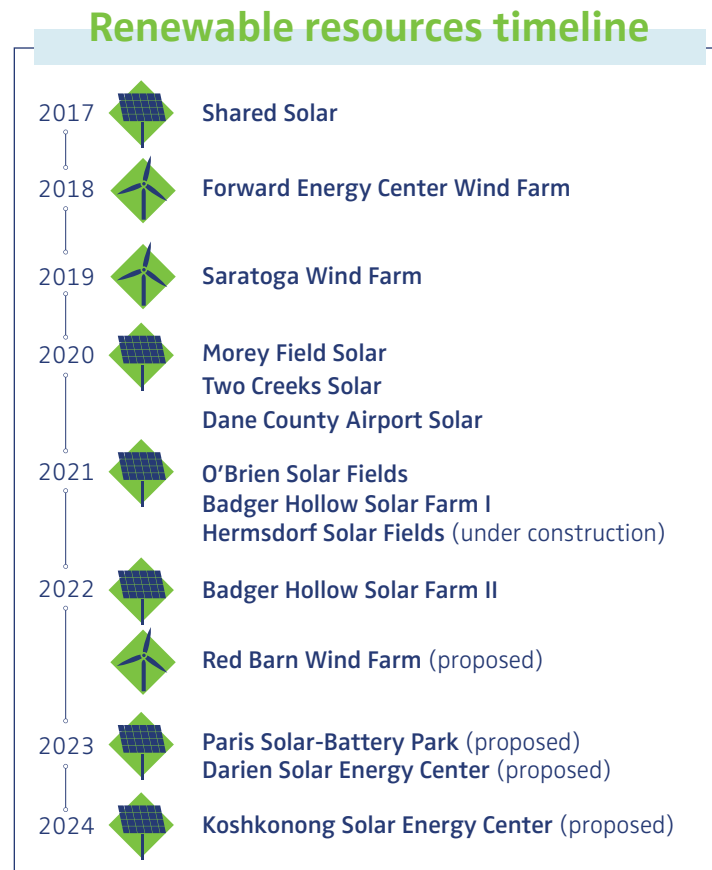
Since 2005, MGE has reduced its carbon emissions 30%. We've said since introducing our clean energy and carbon reduction goals—if we can go further faster through partnerships with our customers and the evolution of new technologies, we will.

For emissions reporting, see page 16 and our Edison Electric Institute (EII) quantitative template at [mgeenergy.com/environment](https://mgeenergy.com/environment).



## Our clean energy transition

Since 2015, the company has grown its asset base from \$1.7 billion to \$2.3 billion, with an estimated \$565 million in recent and projected clean energy and battery storage investments through 2024 helping to fuel the company's ongoing clean energy transition.



## Our work with customers

Our Energy 2030 framework for a more sustainable future, introduced in November 2015, guides our work to ensure all customers benefit from our ongoing clean energy transition. MGE is advancing a cleaner energy future cost-effectively while working to maintain our top-ranked electric reliability.

Objectives in our Energy 2030 framework include:

- » Transitioning to a more sustainable energy supply
- » Giving customers more control around energy
- » Reducing costs by managing our collective use of energy
- » Building a dynamic, integrated grid to enable new technology
- » Ensuring that all customers benefit from changing technology
- » Deepening our engagement with the community

## Our partnership with the Nelson Institute for Environmental Studies

In 2019, MGE began working with Dr. Tracey Holloway from the University of Wisconsin-Madison's Nelson Institute for Environmental Studies to evaluate the company's goal of net-zero carbon electricity by 2050. Her analysis was done within the context of the October 2018 special report on global warming of 1.5 degrees Celsius by the IPCC. Dr. Holloway used models to analyze MGE's goal. The models suggested that by 2050, emissions from electricity generation in industrialized countries should be 87% to 99% lower than the 2005 baseline. MGE's plan for net-zero carbon emissions by 2050 is a 100% reduction from 2005 levels and reflects carbon reductions consistent with limiting global warming to 1.5 degrees Celsius.

We continue to partner with the Nelson Institute to further inform how best to employ our key strategies within our community and with our customers to achieve carbon reductions. The UW-Madison report is available at [mge.com/netzeroreport](https://mge.com/netzeroreport).

## Our commitment to reliability

We're investing in long-term sustainability to benefit all stakeholders while maintaining top-ranked energy reliability. Safe, reliable, affordable and sustainable energy powers our communities and critical services, our households and our local economy.

According to an annual industry survey including more than 75 electric utilities nationwide, in 2020, MGE experienced a record-breaking year for electric reliability, recording its best performance ever in the two main industry reliability metrics. MGE saw both the fewest number of outages and the shortest duration of outages per customer in 2020.

System Average Interruption Frequency Index (SAIFI), which measures the frequency of customer outages, was 0.24 in 2020, meaning, on average, MGE customers experience one power outage every four years.

**Top electric reliability**

On average, MGE customers experience one power outage every four years.

System Average Interruption Duration Index (SAIDI) measures the total time an average customer experiences a non-momentary power interruption in a one-year period. For additional reporting of these metrics, see page 26.

## Our Board of Directors

Strong oversight by our community-focused Board of Directors, our board's engagement with management and our participation in third-party benchmarking and evaluation programs help us assess our performance and promote continuous improvement. We take a proactive approach to environmental, social and governance (ESG) matters; corporate responsibility and companywide sustainability; risk assessment and mitigation; and long-term strategy. Board oversight includes assessment of current and/or future environmental regulations. It also includes review of the company's environmental and sustainability performance and of this report every year. See the Governance and Oversight section of this report for information about our corporate practices.

## Our commitment to transparency and disclosure

We have reviewed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), performed an analysis of our disclosures relative to the TCFD recommendations and determined that our companywide disclosures are consistent with and responsive to the TCFD guidance and recommendations. We also continually monitor and review the reports of and/or engage with a number of third-party ESG analytics and ratings firms to help inform our reporting to make available and accessible information relevant to our company operations and our industry. We are committed to helping customers, investors and other stakeholders better understand our strategies, risks, challenges and opportunities as we transition to a more sustainable, net-zero carbon future. For more detail on our disclosures and ESG information, visit [mgeenergy.com/environment](https://mgeenergy.com/environment).

To advance further transparency and disclosure in company operations and governance, MGE participates in EII's voluntary and industry-specific ESG and sustainability-related reporting. For our EII reporting templates, visit [mgeenergy.com/environment](https://mgeenergy.com/environment).

## Our Vision



**Despite the ongoing challenges of a global pandemic, your community energy company continues to serve its customers and communities safely, reliably and with increasing sustainability.**

This year, we announced several major investments in our ongoing transition toward greater use of renewable energy. In 2021 alone, MGE has introduced plans for more than 80 megawatts (MW) of new wind and solar and 35 MWs of battery storage.

These investments to serve all customers will help meet future energy and capacity needs cost-effectively with the planned early retirement of the coal-fired Columbia Energy Center. MGE is a minority owner of the plant, which we intend to fully retire by the end of 2024.

By 2025, with the planned retirement of both units at Columbia, MGE will have eliminated approximately two-thirds of the company's coal-fired generation capacity. By 2030, the company's remaining use of coal is expected to be reduced substantially, and by 2035, MGE is expected to eliminate coal as an energy source.

In 2019, MGE was one of the first utilities in the nation to commit to a goal of net-zero carbon electricity by mid-century. We established our goal consistent with global climate science. It followed the carbon reduction goals we set in November 2015 in our Energy 2030 framework, under which we pledged to reduce carbon at least 40% by 2030 from 2005 levels. To date, MGE has reduced its carbon emissions

30% since 2005, and we expect to achieve carbon emissions reductions of at least 65% by 2030.

We've said since setting our goals, if we can go further faster by working with our customers, we will. Our Energy 2030 framework continues to guide our work to advance our strategies for deep decarbonization—growing our use of cleaner energy, engaging around energy efficiency and electrifying transportation. This report highlights some of those efforts as well as our commitment to ensure all of our customers benefit from this transition to a more sustainable future.

We also continue our work to invest in our people and our systems to deliver safety and reliability and collaborate across our communities to assist in the recovery from the impacts of COVID-19. Our field personnel continue to operate under enhanced safety protocols. Meanwhile, our office employees, most of whom continue to work remotely, have developed new ways to engage our customers, including those who are the most vulnerable.

We consider it part of our responsibility as a critical services provider to meet our customers “where they are.” Our commitment to equitable service and to what we call the power of working together drives how we seek to fulfill our mission and strengthen our communities.

Thank you for your interest in this report. It is a privilege to serve our communities, and we look forward to continued partnership with all of our stakeholders to meet shared sustainability goals.

*Jeff Keebler*  
Chairman, President and CEO  
MGE Energy and Madison Gas and Electric

## Our Commitment



**Our mission at MGE goes beyond our fundamental obligation to provide safe, reliable energy. Our company culture puts safety, responsibility and sustainability at the forefront. We understand all are critical to our long-term success as a company and to our commitment to serve as a critical services provider and community partner.**

In my role as Vice President, General Counsel and Secretary, I oversee our safety, sustainability and environmental affairs areas. Our Environmental and Sustainability Policy helps to guide our work with suppliers and other vendors, regulators and with our customers and communities. We are committed to accountability and transparency, to continuous improvement—and to superior environmental performance.

To advance these priorities, MGE voluntarily participates in two statewide environmental performance programs. In 2021, MGE earned the Green Master designation for the eighth consecutive year from the Wisconsin Sustainable Business Council. Only the top 20% of applying companies receive this designation. The independent, points-based benchmarking program evaluates applicants in nine key areas. MGE was the first utility to be awarded the distinction in 2014.

Under our Green Tier certification, administered through a contract with the Wisconsin Department of Natural Resources, all MGE operations are covered under our

Environmental Management System (EMS). An EMS is a continuous improvement process that evaluates, prioritizes and manages environmental risks. Our EMS drives environmental improvements, reduces risk companywide and further demonstrates our commitment to goal-setting and environmental accountability.

Our employee-led Sustainability Steering Team oversees our EMS process and supports our external sustainability engagement and benchmarking efforts. The team also prioritizes continuous improvement opportunities, assembling our Continuous Improvement Sustainability Teams to undertake specific initiatives, such as enhancing our battery recycling and source reduction efforts. The Sustainability Steering Team is overseen by our Executive Sustainability Team, which has officer representation from across MGE.

Effective and strong oversight by our Board of Directors helps to ensure MGE continues to take a holistic and proactive approach to environmental, social and governance (ESG) matters and sustainability in our fundamental obligations and in our commitment to corporate responsibility. As part of our regular dialogue with the board, executive management shares this report annually with directors to provide updates and to answer questions.

The report is organized to be consistent with the framework identified by the Task Force on Climate-related Financial Disclosures (TCFD). We appreciate the opportunity to share with you our efforts toward creating a better, brighter and more sustainable future for generations to come.

*Cari Anne Renlund*  
Vice President, General Counsel and Secretary  
MGE Energy and Madison Gas and Electric



## Strategy and Climate

### Highlights

- MGE is working together with our customers toward net-zero carbon electricity by 2050. We expect to achieve carbon reductions of at least 65% by 2030. MGE already has reduced carbon emissions 30% from 2005 levels.
- MGE is decarbonizing its electricity generation, projecting an estimated total of \$565 million in nearly 400 megawatts (MW) of wind, solar and battery storage between 2015 and 2024.
- As a minority owner, MGE is working with the co-owners of the Columbia Energy Center to retire the coal-fired plant by the end of 2024. By 2030, MGE's remaining use of coal is expected to be reduced substantially. We expect to eliminate coal as an energy source by 2035 when the jointly owned Elm Road Generating Station stops using coal.
- Our partnership with the University of Wisconsin-Madison is helping to ensure our carbon reduction goals and decarbonization strategies are consistent with climate science.
- With energy efficiency a key decarbonization strategy, MGE is engaging with customers and offering innovative programs, products and services to help manage our collective energy use.
- We are advancing electric transportation with a robust customer education program, a home charging program and a public charging network. MGE also has an electric vehicle (EV) fleet goal of 100% all-electric or plug-in hybrid light-duty vehicles by 2030.
- MGE is working to ensure that all customers benefit from new technologies in our clean energy transition.

**MGE is building a utility of the future, advancing clean energy and new technologies for the benefit of all. Through our partnerships with our customers, investors and broader community, we are using the latest climate science to inform our plans for deep decarbonization while fulfilling our mission to provide safe, reliable, affordable and sustainable energy to our communities.**

## Powering a more sustainable future

In May 2019, we announced a goal of net-zero carbon electricity by the year 2050. MGE was one of the first utilities in the nation to commit to net-zero by mid-century.

This target is based on the latest climate science. It is consistent with the work of the Intergovernmental Panel on Climate Change (IPCC) and its assessment of limiting global temperature increases to 1.5 degrees Celsius.

Our 2050 goal reflects our vision and signals our direction, but it doesn't determine our pace. Every decision we make is in the context of achieving deep decarbonization as quickly as we can and consistent with the latest climate science while fulfilling our obligation as a provider of safe, reliable, affordable and sustainable energy.

Achieving net-zero by 2050 will require the use of technologies not yet commercially available or cost-effective, but we are well on our way toward realizing our commitment to greater sustainability, to continued industry leadership and to those we serve.

### Continuing transition toward cleaner energy sources

MGE, along with its utility partners, announced in early 2021 plans to retire the approximately 1,100-megawatt (MW) coal-fired Columbia Energy Center near Portage, Wis. The plan represents another step in MGE's ongoing transition toward greater use of cleaner energy sources and deep carbon reductions. MGE announced several years ago it was transitioning away from coal. In 2016, the company reduced its minority ownership in the plant.



Students from the UW-Madison and others learn about the O'Brien Solar Fields from MGE renewable and distributed energy engineers Dan Clausen and Todd Montevideo.

Columbia is co-owned by Alliant Energy and Wisconsin Public Service. Alliant Energy operates the plant. MGE, as minority owner, and the co-owners intend to retire Unit 1 by the end of 2023 and Unit 2 by the end of 2024.

In late 2021, MGE announced plans to eliminate coal-fired generation from its portfolio by 2035. MGE is a minority owner of the coal-fired Elm Road Generating Station in Oak Creek, Wis., which is co-owned by WEC Energy Group, whose subsidiary serves as operator, and by WPPI Energy, Inc.

By working with the plant's co-owners to transition to natural gas as the primary fuel source at Elm Road, MGE expects to substantially reduce the use of coal at Elm Road by 2030 and to have no coal-fired power plants in its portfolio by 2035.

### Climate science partnership with the University of Wisconsin

To inform our work for achieving deep decarbonization and net-zero carbon by 2050, MGE is working with Dr. Tracey Holloway at the University of Wisconsin-Madison's Nelson Institute for Environmental Studies and the Department of Atmospheric and Oceanic Sciences. In 2020, Dr. Holloway used climate modeling available through the IPCC for an analysis of MGE operations and our deep decarbonization goal. The models suggested that by 2050, emissions from electricity generation in industrialized countries should be 87% to 99% lower than the 2005 baseline. MGE's goal is net-zero carbon emissions by 2050, which is a 100% reduction from 2005 levels. The analysis showed MGE's goal is in line with model benchmarks to limit global warming to 1.5 degrees Celsius.

The UW-Madison report, *Interpreting Global Energy Scenarios for Emissions Planning at the Utility Scale*, is available at [minds.wisconsin.edu](https://minds.wisconsin.edu) and [mge.com/netzeroreport](https://mge.com/netzeroreport).

### Progress toward our carbon reduction goals

Since 2015, MGE has announced an estimated \$565 million in clean energy projects, which are expected to increase MGE's owned renewable capacity by more than nine times when completed by 2024.

## Carbon reductions

**30%** reduction in carbon emissions since 2005

**BY 2030** At least 65% reduction in carbon consistent with global climate science

**BY 2050** Net-zero carbon electricity

MGE already has reduced carbon emissions 30% since 2005, our baseline. Under our Energy 2030 framework for a more sustainable future, introduced in November 2015, we committed to reducing carbon emissions at least 40% by 2030. Consistent with the science, MGE expects to achieve carbon reductions of at least 65% by 2030.

Energy 2030 also established a goal of 30% renewable energy by 2030 and an interim goal of 25% by 2025, which we expect to exceed by year-end 2022. We have said since establishing our goals that if we can go further faster by working with our customers, we will.

### Our strategies for deep decarbonization

The U.S. Mid-Century Strategy (MCS) for Deep Decarbonization is the United States' strategy for meeting the goals of the Paris Agreement on climate change to limit global warming. Both the MCS and the IPCC rely on decarbonizing electric generation, using energy efficiently and electrifying other energy uses, including transportation. These are the strategies MGE is pursuing and will continue to pursue to achieve deep decarbonization and net-zero carbon electricity. Our aggressive goals and pursuit of rapid and deep decarbonization also are in line with the IPCC Working Group I report, *Climate Change 2021: The Physical Science Basis*, which notes that immediate, rapid and large-scale reductions in greenhouse gas emissions are needed to limit global warming.

## Our Energy 2030 framework

Energy 2030 set our foundational objectives for building your community energy company for the future. Introduced in November 2015, our Energy 2030 framework continues to guide our strategy and our work to provide customers with options they want today and in the future. Our objectives include:

### Transition MGE to a more environmentally sustainable energy supply.

- » Incorporate greater use of renewable resources
- » Reduce carbon dioxide emissions
  - » 25% renewable energy by 2025, which we expect to exceed by year-end 2022
  - » 40% reduction in carbon by 2030\*

### Control costs by managing our collective use of energy.

- » Work with customers to advance smart and other technologies to help reduce growth in electric system peak
- » Test and explore different pricing options to help shift electricity use to off-peak periods to help control long-term costs for all customers

### Deepen our engagement with the community.

- » Work together with our customers to develop programs and partnerships to help achieve our goals and Energy 2030 objectives
- » Use customer research to develop and test ideas and concepts
- » Provide opportunities for customers to engage with us to build your community energy company for the future

### Give customers more control around energy.

- » Develop new products and services to give customers more options for managing their energy use
- » Provide green pricing and community solar options
- » Invest in technology to enable delivery of new products and services

### Provide a dynamic electric grid that can integrate new technologies to serve all customers.

- » Enhance electric distribution infrastructure to better enable two-way power flows
- » Explore new ways to integrate solar most effectively into our community grid to serve all customers

### Ensure that new and changing technology serves all customers equitably.

- » Explore through technology demonstration projects how new technologies can benefit all of our customers
- » Research and test innovative pricing and rate options

## Growing our use of clean energy

Since announcing our Energy 2030 framework in November 2015, we have developed projects that we expect will increase our owned renewable capacity by roughly nine times by the end of 2024. Growing our use of renewable resources is a part of our strategy for achieving net-zero carbon electricity by 2050.

### Resource planning and carbon regulation

When making generation decisions, MGE engages in extensive resource planning analysis and modeling, which consider many factors including forecasted energy use projections; long-term impacts on customers, investors and the environment; potential future environmental regulations; assumptions related to the anticipated costs of fuel and many other factors related to energy production. Our economic analysis explicitly includes possible projected carbon emissions limits to help ensure our decisions are financially sound—regardless of whether or how carbon is regulated in the future.

In addition, large new generating facilities are reviewed by the Public Service Commission of Wisconsin to ensure the projects are in the public interest. For larger projects, different generating scenarios are modeled in our regulatory application to demonstrate the need and to justify the cost. All proposals and decisions by the state regulatory body are part of the public record.

### Ongoing transition from fossil fuels

MGE has no controlling interest in coal-fired resources and announced several years ago that we would not be investing further in coal-fired plants. In 2011, MGE discontinued the use of coal at the only generating facility in which we have sole ownership, our Blount Generating Station.

Additionally, as part of a rate case settlement agreement in 2018, MGE accelerated the depreciation of certain assets, including our combustion turbines, Blount Generating Station and Columbia Energy Center Unit 1. The accelerated depreciation schedule and retirement of coal-fired generation will help the company move forward with investments in cleaner sources of energy. In 2021, MGE, as a minority owner, and the co-owners of the Columbia Energy Center announced the planned retirement of the plant by 2025.

## Generating facilities

Badger Hollow Solar Farm, Iowa County (Phase II is expected online in 2022)

Blount Generating Station, Madison

Columbia Energy Center, Portage (expected retirement of all units by 2025)

Combustion turbines, Madison and Marinette

Dane County Airport Solar, Madison

Elm Road Generating Station, Oak Creek (expected to stop using coal by 2035)

Forward Energy Center wind farm, Dodge and Fond du Lac counties

Hermsdorf Solar Fields, Madison (under construction in 2021)

Morey Field Solar, Middleton

O'Brien Solar Fields, Fitchburg

Rosiere Wind Farm, Kewaunee County

Saratoga Wind Farm, Howard County, Iowa

Shared Solar, Middleton

Solar photovoltaic units, Dane County

Top of Iowa Wind Farm, Worth County, Iowa

Two Creeks Solar, Manitowoc County

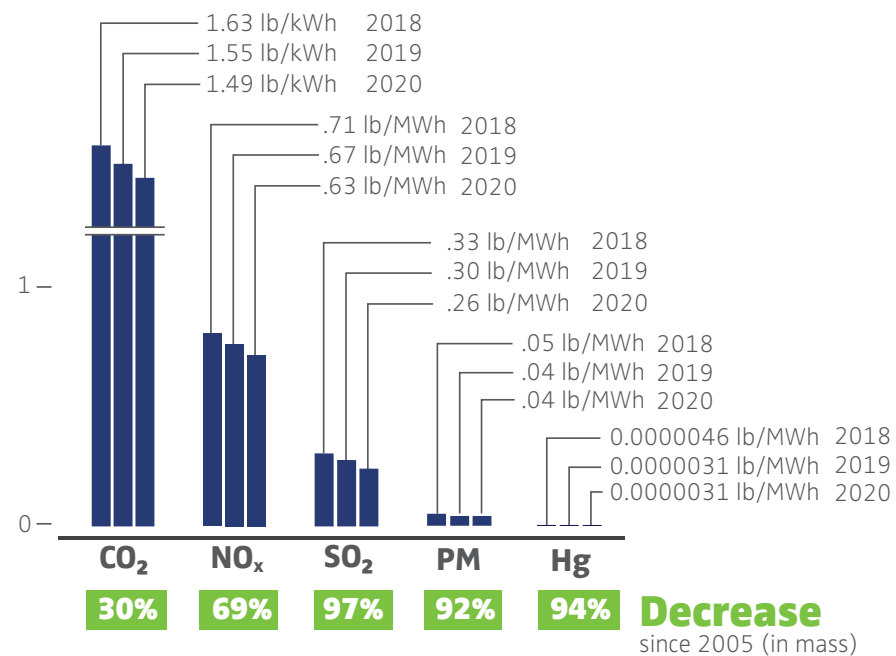
West Campus Cogeneration Facility, Madison

*We also purchase power through contracts and from the Midcontinent Independent System Operator market.*

\*MGE has since committed to at least 65% reduction in carbon emissions by 2030.



## Emissions reductions



Carbon dioxide (CO<sub>2</sub>) emissions are calculated from generating units owned by MGE, power purchase agreements and power purchased by MGE on the regional Midcontinent Independent System Operator market. The market purchase emission rate is based on a seven-state regional average CO<sub>2</sub> emission profile from all power produced in Wisconsin and the surrounding Midwest states.

Nitrogen oxide (NO<sub>x</sub>), particulate matter (PM), mercury (Hg) and sulfur dioxide (SO<sub>2</sub>) emission rates are calculated from MGE-owned generation assets, including MGE's share of jointly owned units. MGE is part owner of the Columbia Energy Center, Elm Road Generating Station, West Campus Cogeneration Facility and the Forward Energy Center.

### Reducing emissions

We have made strides to reduce emissions by installing emission reduction equipment and improving equipment efficiencies with our current generation fleet. As we work toward our ambitious goal of net-zero carbon electricity by 2050, we continue to make significant investments in local and regional, cost-effective renewable generation. Ensuring that new and changing technology serves all customers equitably is one of our key objectives under our Energy 2030 framework. We are working to build a smarter, cleaner community grid that serves to benefit all customers.

### Harnessing renewable natural gas

MGE continues to reduce greenhouse gas (GHG) impacts with an initiative that generates electricity from the combustion of methane, which is produced locally by cow manure. As a GHG, methane is at least 25 times more potent than carbon; however, methane as a fuel burns much cleaner and produces 50% less GHGs than coal.

MGE receives energy from a manure digester. The digester converts cow manure from local farms into electricity. For

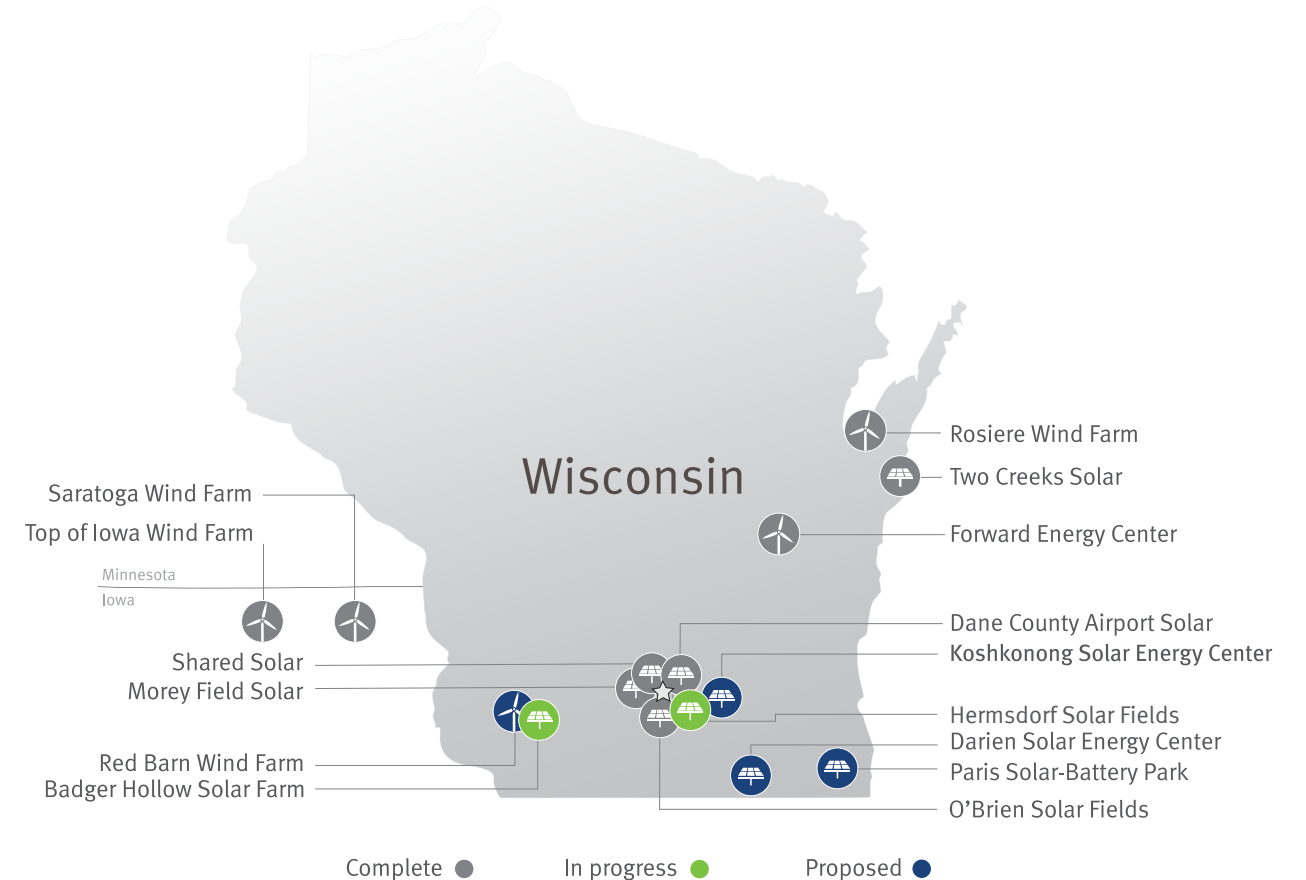
2020, the manure digester generated more than 9.3 million kilowatt-hours (kWh) of electricity, which is enough to power more than 1,500 households.

Under an Environmental Protection Agency requirement, MGE monitors, measures and reports several GHG emissions annually. MGE tracking covers power plant emissions, natural gas distribution and smaller combustion sources.

### Edison Electric Institute ESG/sustainability reporting templates

To advance further transparency and disclosure in company operations and governance, MGE participates in the Edison Electric Institute's (EEl) environmental, social and governance (ESG)/sustainability-related reporting templates. The quantitative template includes data related to MGE's energy portfolio (generation and capacity), emissions, capital expenditures, and human and natural resources. The qualitative template includes information related to our company's management and oversight of and strategies for transitioning toward deep decarbonization and greater sustainability. These templates are voluntary and industry-specific. Find them at [mgeenergy.com/environment](https://mgeenergy.com/environment).

## Our clean energy projects



Purchasing 100 megawatts (MW) of solar capacity from the Badger Hollow Solar Farm in Iowa County, Wis., Badger Hollow Phase I came online in 2021; another 50 MW from Phase II is expected online in 2022.

Purchasing 50 MW of solar capacity from the Two Creeks Solar project, which came online in 2020.

Bringing online the 20-MW O'Brien Solar Fields in Fitchburg, Wis. The array serves local companies, the City of Fitchburg, the State of Wisconsin and the University of Wisconsin-Madison through our innovative Renewable Energy Rider (RER) program.

Partnering with Dane County to build a 9-MW solar installation at the Dane County Regional Airport in Madison, Wis., which came online in 2020 to serve Dane County operations.

Partnering with the City of Madison and the Madison Metropolitan School District to build the 8-MW Hermsdorf Solar Fields in Madison, which is under construction.

Expanding our highly successful community solar program, Shared Solar, with a 5-MW solar array at the Middleton Municipal Airport in Middleton, Wis.

Purchasing 30 MW of solar energy and 16.5 MW of battery storage from the 300-MW Koshkonong Solar Energy Center in Dane County, which is expected online by the end of 2024, if approved.

Purchasing 25 MW of solar energy and 7.5 MW of battery storage from the 250-MW Darien Solar Energy Center in southeast Wisconsin, which is expected online by the end of 2023, if approved.

Purchasing 20 MW of solar energy and 11 MW of battery storage from the 200-MW Paris Solar-Battery Park in southeast Wisconsin, which is expected online in 2023, if approved.

Purchasing 9.1 MW of wind capacity from the 92-MW Red Barn Wind Farm in southwest Wisconsin, which is expected online in 2022, if approved.

## Two Creeks Solar award

MGE, along with our project partners, received the Renewable Energy Project of the Year award for Two Creeks Solar at RENEW Wisconsin's 2021 Summit. The 150-MW solar array located in the town of Two Creeks and the city of Two Rivers in Manitowoc County came online in November 2020.

Two Creeks Solar was the first large-scale solar project to be built in Wisconsin. It features 500,000 solar panels across 800 acres. It can power more than 33,000 households. MGE owns 50 MW of the output.

## Shared Solar

In 2020, a 5-MW array came online to serve MGE's community solar program, Shared Solar. Seventy percent of the Morey Field Solar project at Middleton Municipal Airport serves our Shared Solar program, which offers customers locally generated solar energy at minimal upfront cost. Shared Solar gives residential and small business customers the option to power their household or business with solar energy for up to half of their annual energy use. It's an affordable option for customers who want to support local solar.

This is the second array for this popular program. The voluntary program began in early 2017 with a 500-kilowatt (kW) array in the city of Middleton, Wis. MGE partnered with the City of Middleton to locate the array on the roof of the City's Municipal Operations Center.



## Renewable solutions for large customers

Our RER gives MGE and larger business customers who seek customized renewable energy solutions the opportunity to partner to grow locally generated renewable energy. The program is designed to meet the needs and goals of companies that support or have signed on to the Corporate Renewable Energy Buyers' Principles, a collaboration facilitated by the World Resources Institute and the World Wildlife Fund.

MGE has built nearly 40 MW of solar capacity under RER agreements since earning regulatory approval in 2017 to begin offering this clean energy option.

## Morey Field Solar

State regulators approved in 2019 our first RER agreements with the City of Middleton and the Middleton-Cross Plains Area School District. The City and school district purchase a 1.5-MW share of solar power from the 5-MW Morey Field Solar array at the Middleton Municipal Airport. The array also serves MGE's Shared Solar program, which is fully subscribed.

## Dane County Airport Solar

MGE and Dane County partnered on a 9-MW solar installation at the Dane County Regional Airport under an RER agreement. The project, approved by regulators in 2020, covers about 58 acres and began operation in late 2020. It serves Dane County, which has a goal of 100% clean energy for its operations.

## O'Brien Solar Fields

In spring 2021, the 20-MW O'Brien Solar Fields in Fitchburg, Wis., began serving several large customers—the City of Fitchburg, Placon, Promega Corporation, Tribe 9 Foods, University of Wisconsin-Madison, Willy Street Co-op and the Wisconsin Department of Administration. The customers are served through RER agreements with MGE.

*Giant Jones Brewing Company, a certified organic, woman-owned craft brewery in Madison, Wis., participates in MGE's Shared Solar program.*



*Vice President of Energy Technology Don Peterson; Chairman, President and CEO Jeff Keebler; Madison Mayor Satya Rhodes-Conway and members of the Hermsdorf family break ground in July 2021 for the Hermsdorf Solar Fields, which will help power City of Madison and Madison Metropolitan School District operations.*

## Hermsdorf Solar Fields

MGE is partnering with the City of Madison and the Madison Metropolitan School District (MMSD) to build an 8-MW solar array in Madison. The City will take 5 MW of the output and MMSD will take 3 MW of the output under separate RER agreements with MGE. The electricity generated by this local source of clean energy is expected to increase renewable energy use in City operations by nearly 20% and by about 16% for the school district. The project is under construction.

## Green pricing program

Green Power Tomorrow (GPT) is our green pricing program. At a penny more per kWh, GPT is a convenient and effective way for customers to support local and regional renewable energy and offset their greenhouse gas emissions.

Today, more than 10,300 customers buy green power through this program. Our GPT program is largely served by our wind resources in the region.

## Customer-owned solar

We also work with customers who want to install solar to help power their homes or businesses. These customers connect to our community grid and sell their excess electricity to MGE. We have partnered with nearly 1,600 customers to connect their solar installations to our grid.

## Collaborations with our communities

MGE has ongoing collaborations with a number of communities, including the cities of Fitchburg, Madison and Middleton. These partnerships serve to advance shared goals around renewable energy, electric vehicles (EV), and energy efficiency and conservation.

MGE also serves as a member of the Dane County Council on Climate Change. The council includes local government, businesses, utilities and environmental organizations. MGE's partnership with local stakeholders through the council offers another opportunity to work toward common goals, including deep decarbonization.

## Accelerating sustainability

MGE is a longtime partner of Sustain Dane, a local organization that has offered innovative programs for local businesses for more than 20 years. During this time, Sustain Dane has been recognized as a leader in helping local organizations set and achieve sustainability goals. MGE and the City of Madison have partnered with Sustain Dane to host Accelerate Sustainability Workshops, which help local professionals learn more about sustainability best practices through local case studies.

## Advancing energy efficiency, conservation and new technologies

Energy efficiency is a key strategy for reducing carbon emissions. MGE is committed to providing customers with the tools and resources they need to make wise energy choices that help reduce their individual carbon footprints.

We strive to “meet customers where they are” to engage them in energy efficiency. Through the use of new technologies, hands-on workshops, energy education, conservation kits and innovative rate options, MGE is helping to empower customers to take control of their energy use to better manage long-term costs and to achieve deep decarbonization.

### Managing demand with smart thermostats

Electric use peaks during stretches of hot, humid days when air conditioners run in a majority of homes and businesses. These periods of high electric use put pressure on utilities to generate and distribute enough electricity to everyone who needs it.

Nearly 2,500 households participate in MGE Connect®, our smart thermostat demand response program for residential customers. With customers’ permission, minor temperature adjustments are made to their smart thermostats to reduce energy use during periods of high demand.

The program helps MGE better understand the role and impact of smart devices in helping manage our community grid while helping customers reduce their energy use with minimal possible impact on comfort.

MGE also works with partners, such as FOCUS ON ENERGY®, Project Home and community organizations, to make smart thermostats and other energy-saving improvements available to lower-income households. MGE is committed to working with customers and our partners to help ensure all customers have the opportunity to share in the benefits of new technologies.

### Working with Focus on Energy

Focus on Energy, Wisconsin’s statewide energy efficiency and renewable resource program, is MGE’s partner in educating customers about the value of energy efficiency and conservation. MGE works with residential and commercial customers seeking incentives and rebates through Focus on Energy to make energy-saving improvements.



*MGE's Residential and Community Services team worked with Focus on Energy to distribute LED light bulbs to lower-income customers at outdoor events in 2021.*

In 2020, MGE customers received more than \$1.5 million in financial incentives from Focus on Energy for heating and cooling improvements, smart thermostats, insulation and air sealing, and renewable energy technology.

Our Residential and Community Services team and many of MGE’s community partners also worked with Focus on Energy to get energy efficient light bulbs into lower-income customers’ homes. The team distributed thousands of LED light bulbs at outdoor community events in 2021.

### Conserving energy with On Demand Savings

MGE’s On Demand Savings (ODS) program offers large customers tools and strategies to reduce their energy use, especially during periods when demand for electricity is at its peak. ODS uses an online dashboard to give customers near real-time energy usage information, enabling them to act to cut costs and to reduce their environmental footprint. Some additional features for program participants include:

- » Alert notifications by email or text to participants when their building load exceeds a specified threshold.
- » Monthly energy challenges that allow participants to set monthly demand and energy goals that are tracked in the system.
- » Energy markers that provide participants with the ability to track energy performance from a specific project or milestone before and after a specified date.

The program was recognized in 2018 with an Inspiring Efficiency Award for Innovation by the Midwest Energy Efficiency Alliance, a regional organization dedicated to advancing energy-efficient technologies, products and best practices.

A third-party evaluation of the program completed in 2021 revealed high levels of customer satisfaction. The evaluators found an average demand reduction of 3.3% across all participating sites and a 4% reduction in energy use.



*MGE is partnering with a number of homeowners who have rooftop solar arrays to test residential battery storage to better understand how the technology could be used to manage peak demand and to enhance reliability.*

### Residential battery pilot

In late 2020, we launched a new technology demonstration project featuring battery storage in collaboration with the Electric Power Research Institute and residential electric customers. Several homeowners who have a solar photovoltaic system have a battery installed outside their home. The rooftop solar system charges the batteries, which will be used during times of peak demand and as a backup source of power for the household. This project will help us understand how batteries operate in Wisconsin temperatures and how batteries could help control long-term costs by managing our collective use of energy. Battery storage also could provide enhanced reliability as we continue our transition to greater use of renewable resources.

*Right: Residential services managers Leah Samson and Laura Paprocki serve as MGE energy experts, engaging customers in a variety of ways to help them use energy wisely and achieve shared energy goals.*

## Meeting customers where they are

Our Residential and Community Services team continues to connect in new ways with customers around energy efficiency, new technologies and other energy-related needs. Deepening our engagement with customers is one of our objectives under our Energy 2030 framework.

With a partnership to offer free conservation kits and LED light bulbs from Focus on Energy and outreach to introduce customers to our online tools, our energy experts work with community partners and customers throughout the area to answer questions about customer bills, help customers understand their energy usage, identify resources for assistance and more.



Throughout the COVID-19 pandemic, MGE residential and commercial account representatives reached out to customers and community partners to help point customers to resources for assistance and to let them know of our commitment to providing safe, reliable service throughout the pandemic.

### Energy expert line and customer engagement

MGE's Home Energy Line to "ask the experts" is an efficient way for customers to get energy tips and answers to their energy-related questions via phone or email. In 2020, MGE energy experts provided individualized advice to more than 1,500 customers and conducted targeted digital engagement with more than 9,000 customers and community partners throughout the year. Our energy experts worked with customers to help them better understand flexible payment plans and energy efficiency resources. This included outreach to customers who were behind on their bills due to the pandemic.

MGE also maintains a separate line for commercial and industrial customers who need assistance.

### Portable energy meters

MGE has donated more than 50 portable energy meters to area libraries for customers to use. The meters measure voltage, electricity cost and electric consumption. They help customers identify the potential causes of high energy use and better understand the exact operating costs of various items in their homes.

### Energy education for our youth

We partner with local teachers, schools and summer programs from elementary school through college to help educate thousands of students about energy, safety, electric transportation, new technologies and career opportunities in the industry. In 2021, MGE produced a series of videos in both English and Spanish to help educate lower elementary students about solar energy and EVs.



## Online resources

Simple, cost-effective energy-saving tips for homeowners, renters and businesses are available online from MGE. Customers also can compare their energy use and learn what has helped other customers save. For example, using My Account at [mge.com](https://www.mge.com), customers can review their bill, payment history and past energy use and sign up for MGE services. We share energy-saving tips, tools and information on our social media channels and online at:

#### [mge.com](https://www.mge.com)

MGE's primary site for customer services; account access, paperless billing and bill payment; safety and outage information; and other news, information, programs and services from MGE.

#### [mge2050.com](https://www.mge2050.com)

A source for clean energy news, energy-saving tips and information. The site includes locally based videos and features articles around saving energy, MGE's new programs and services, and initiatives for working together to achieve net-zero carbon electricity by 2050.

#### [genre2030.com](https://www.genre2030.com)

Features films and energy-related content with the goal of engaging MGE's millennial customers in the company's Energy 2030 framework for a more sustainable future.

#### [livinginbalancemadison.com](https://www.livinginbalancemadison.com)

Shares stories from MGE's diverse customer base about what it means to be sustainable from community members who are living it every day.



### Leading the charge for transportation electrification

Transportation is the leading contributor of greenhouse gas emissions in the U.S. The electrification of transportation is a key strategy for reducing carbon emissions. In addition to growing our use of renewable resources and engaging around energy efficiency, we are working with customers, stakeholders, municipalities and other community partners to grow the use of EVs and to facilitate charging options throughout our community.

We have been advancing alternative fuel vehicles since we began building our EV public charging network more than 10 years ago. Today, the number of EVs on the road continues to grow. MGE is prepared to meet the need with our growing public charging network of 45 stations—powered by wind energy—and programs to facilitate charging at home, at work and on the go. Our public charging network features several DC fast chargers, which can provide 60 to 80 miles of range in about 20 minutes.

#### Fast charger hub

MGE began construction in summer 2021 of a new EV fast charging hub in the heart of Madison's Capitol East District. One of the first of its kind in Wisconsin, the charging hub located along a major thoroughfare in downtown Madison is expected to begin serving EV drivers in late 2021. The new fast charging hub will provide convenient EV charging—powered by renewable energy—for nearby apartment and condo dwellers and single-family households, commuters, taxi and ridesharing services as well as EV fleet vehicles.

With power levels up to 350 kilowatts, the hub's high-speed chargers will be some of the most powerful EV chargers

in the Midwest. These chargers will support fast charging for EVs with greater driving ranges in the future. Through a partnership with Tesla, the hub also will have eight Superchargers from the electric car maker.

#### Enabling charging options

Charge@Home, MGE's home charging program, makes it easy for EV drivers to charge efficiently at their home, which is where more than 80% of charging happens. With Charge@Home, MGE owns, maintains and coordinates the installation of Level 2 charging stations at customers' homes. With no upfront cost, customers pay a monthly fee plus the cost of electricity. The program gives MGE the ability to study drivers' charging habits and to explore remote management of charging sessions to better understand the potential impact of EVs on the grid, including how grid management can help to lower costs for all MGE customers by optimizing our use of resources.

MGE also helps area employers of all sizes and multifamily developers who want to offer employees and residents charging. We discuss options and help them navigate the decision-making and implementation process.

#### Connecting potential EV drivers with local dealerships

In 2021, MGE launched its Dealership Network to serve customers who are considering an EV. Local dealerships that are members of MGE's Dealership Network are knowledgeable about EV programs and resources offered by MGE. In addition to expertise on models, trim options, driving ranges and financing, dealerships can help drivers determine the best charging solution for their new EV. Through MGE's family of EV websites, customers are able to connect with local dealers to get their questions answered or to schedule a test drive.

## MGE's EV fleet goal

We have been testing commercially available EVs for more than a decade. We are continuing to add cleaner vehicles to our fleet, where possible, and are targeting a goal of 100% all-electric or plug-in hybrid light-duty vehicles by 2030.

**100%** all-electric or plug-in hybrid light-duty vehicles by 2030.

Our fleet includes a plug-in electric pickup truck and Ford Escapes, a step van and bucket trucks with battery-powered technology, and all-electric passenger vehicles.

## MGE's light-duty EV fleet

**11%** all-electric or plug-in hybrid

## EV engagement at MGE

MGE seeks to engage our employees in our efforts to grow the use of EVs. We offer five workplace charging stations, each with dual ports, to enable charging for employees while at work. Workplace charging offers many benefits, including employee attraction and retention and support for sustainable initiatives.

## Electric buses in Madison

The City of Madison is adding three all-electric buses to its public transportation fleet. MGE worked with the City's Metro Transit to secure a \$1.3 million federal grant for the zero-emission buses and contributed 100% of the required local matching funds for charging infrastructure for the buses. As part of the ongoing collaboration to electrify the City's bus fleet, MGE is providing continued in-kind support and expertise to address technological issues and to facilitate the cost-effective and efficient use of energy.

Zero-emission buses will play a key role in efforts to reduce carbon emissions. According to the U.S. Department of Transportation, for every zero-emission bus on the road, carbon emissions are reduced by nearly 1,700 tons over their estimated 12-year life span. With three electric buses, that would be an estimated carbon reduction of 5,100 tons.

MGE continues to work with the City to seek ways to further the electrification of transportation. When the City received a Wisconsin Office of Energy Innovation grant to help purchase 20 all-electric Chevy Bolts, MGE partnered with the City to provide charging infrastructure for the new fleet vehicles.

## Electric fire truck

MGE also has partnered with the City of Madison Fire Department to enable fast charging for the department's first electric fire truck. The fire truck, manufactured by Pierce Manufacturing based in Appleton, Wis., began serving the community in mid-2021.



## Managed charging technology demonstration

MGE is partnering with Tesla drivers in our service territory to test how smart charging using vehicle telematics can save customers money and help plan for the impact of EVs on our grid. Customers on a time-of-use rate who sign up to participate in the project have their EVs automatically charge off-peak. By shifting charging to off-peak times, customers can save on their electricity costs. Customers on a standard rate have their EV charging optimized to keep the grid balanced and receive a nominal incentive each month. Additionally, a group of customers has the opportunity to participate in demand response events to receive additional rewards. The opportunity to shift EV charging to lower-cost times and when more resources are available will help us prepare for more EV charging on our distribution grid. Managed charging may benefit all MGE customers by reducing the need for electrical system upgrades and new generation facilities long-term.

## Partnering with local school districts

MGE partnered with the Madison Metropolitan School District to install a charging station to serve its electric fleet vehicles. In addition to ongoing educational partnerships, MGE continues to work with local schools to evaluate charging options for their facilities.

## Working with regional stakeholders

As part of the Great Plains Institute's Midcontinent Transportation Electrification Collaborative (M-TEC), we're working with other utilities, state governments, automakers, EV charging companies and environmental groups to advance EV infrastructure and increase the use of EVs. Working together, our group conducts research, develops white papers and policy recommendations, and hosts workshops for stakeholders in the region. In 2021, M-TEC urged Congress to support investments in EV charging infrastructure; to keep the automotive supply chain in the U.S. by supporting EV and EV component manufacturing; and to support EV research, development and demonstration.

## Sustainable Transportation Series

MGE again partnered with Wisconsin Clean Cities, the City of Madison and others to present a virtual educational series for fleet and transportation professionals in fall 2021. MGE's manager of electrification moderated a panel on how Wisconsin companies are working to electrify their fleets.

## Resources and tools to educate drivers

MGE helps to educate customers, businesses and our community at-large about the benefits of EVs. Our experts have been on hand at many community events with a variety of EVs to share information on driving and charging EVs.

For example, each year, MGE sponsors the National Drive Electric Week event held in Madison. In 2021, local EV drivers registered to showcase their vehicles to attendees. MGE EV experts were available to share information about EVs and EV charging.

In 2018, MGE launched our LovEV website to help customers discover why



"there's a lot to love" about EVs.

LovEV highlights available models, explains charging options, and details cost and environmental savings. It is an easy, one-stop online resource at [mge.com/LovEV](https://mge.com/LovEV).

The online tool, Explore My EV, gives users the opportunity to compare the costs of plug-in hybrid and all-electric vehicles to gasoline-powered models. The tool, available at [mge.com/exploremyev](https://mge.com/exploremyev), considers commute distances, available tax credits and maintenance costs, among other things through its online analysis.

## EV Owners Group

EV drivers who participate in MGE's EV Owners Group receive a 50% discount on public charging. In exchange, EV drivers allow their charging information to be shared with MGE to help us better understand public charging behavior and its impact on the grid. MGE also partners with group members to gather feedback on EV programs, pilots and services.

## Collaborating to advance sustainability and innovation

By working together with our customers and other stakeholders, we can develop solutions to the energy challenges of our times and reach our shared energy goals. For example, MGE is a partner in the Midcontinent Power Sector Collaborative (MPSC) facilitated by the Great Plains Institute out of Minneapolis, Minn.

The MPSC, consisting of utilities, agencies, non-governmental organizations and environmental groups, worked together to develop the Road Map to Decarbonization in the Midcontinent: Electricity Sector. MGE's local partners in the MPSC include the nonprofit Clean Wisconsin and the Dane County Office of Energy and Climate Change.

The MPSC brings together diverse viewpoints and priorities to develop options to continue driving toward a lower carbon future and to better inform policymakers. The MPSC is one of many partnerships in which MGE is involved to further sustainable energy.

MGE also works with key partners to examine and design innovative programs and grow ideas in a focused, deliberate fashion. Working together is part of how MGE identifies ways that we can be responsive to our customers' evolving energy needs while ensuring a modern, sustainable electric system. Some of MGE's pilot programs, such as Shared Solar, On Demand Savings, renewable flat bill, smart thermostat demand response (MGE Connect) and Charge@Home, have been informed by these collaborative efforts.

## Partnering to grow innovation

MGE's parent company, MGE Energy, is an investor and supporter of Energy Impact Partners (EIP), a utility-focused investment fund. Participation in EIP and similar funds offers MGE Energy the opportunity to invest in early-stage companies that are working to advance sustainability, smart technologies, distributed energy resources and electrification. Involvement in EIP also gives MGE the ability to explore new or emerging technologies through working groups and pilot programs that allow us to partner with our customers.

## Ensuring reliability

MGE is a national leader in electric reliability. We are committed to transitioning to greater use of renewable resources while maintaining our top-ranked reliability. According to an annual industry survey including more than 75 electric utilities nationwide, in 2020, MGE experienced its best performance ever in the two main industry reliability metrics—fewest number of outages (SAIFI) and the shortest duration of outages per customer (SAIDI).

SAIFI, which measures the frequency of customer outages, was 0.24 in 2020, the best in MGE's history. The company's previous best was 0.33 in 2015. This measure means, on average, MGE customers experience about one outage every four years. SAIDI, which measures total customer outage times, was 27.3 minutes in 2020. MGE's previous best was 27.9 minutes in 2013.

### SAIDI & SAIFI reliability trend data

*In 2020, MGE experienced its best performance ever in the fewest number of outages (SAIFI) and the shortest duration of outages per customer (SAIDI).*

|       | 2018        | 2019        | 2020        |                  |
|-------|-------------|-------------|-------------|------------------|
| SAIFI | <b>0.41</b> | <b>0.68</b> | <b>0.24</b> | Outage frequency |
| SAIDI | <b>57</b>   | <b>74</b>   | <b>27</b>   | Minutes          |



## Utility as conductor of the grid of the future

We take seriously our responsibility and commitment to those we serve. The electric grid is a shared resource for the benefit of everyone, providing for the safety and security of a community through safe, reliable electricity.

We're investing in the systems and capabilities to enable an electric grid that supports new technology such as distributed energy sources like solar and battery storage. We have an important role to play to ensure that new resources and technologies are harnessed for the benefit of all customers.

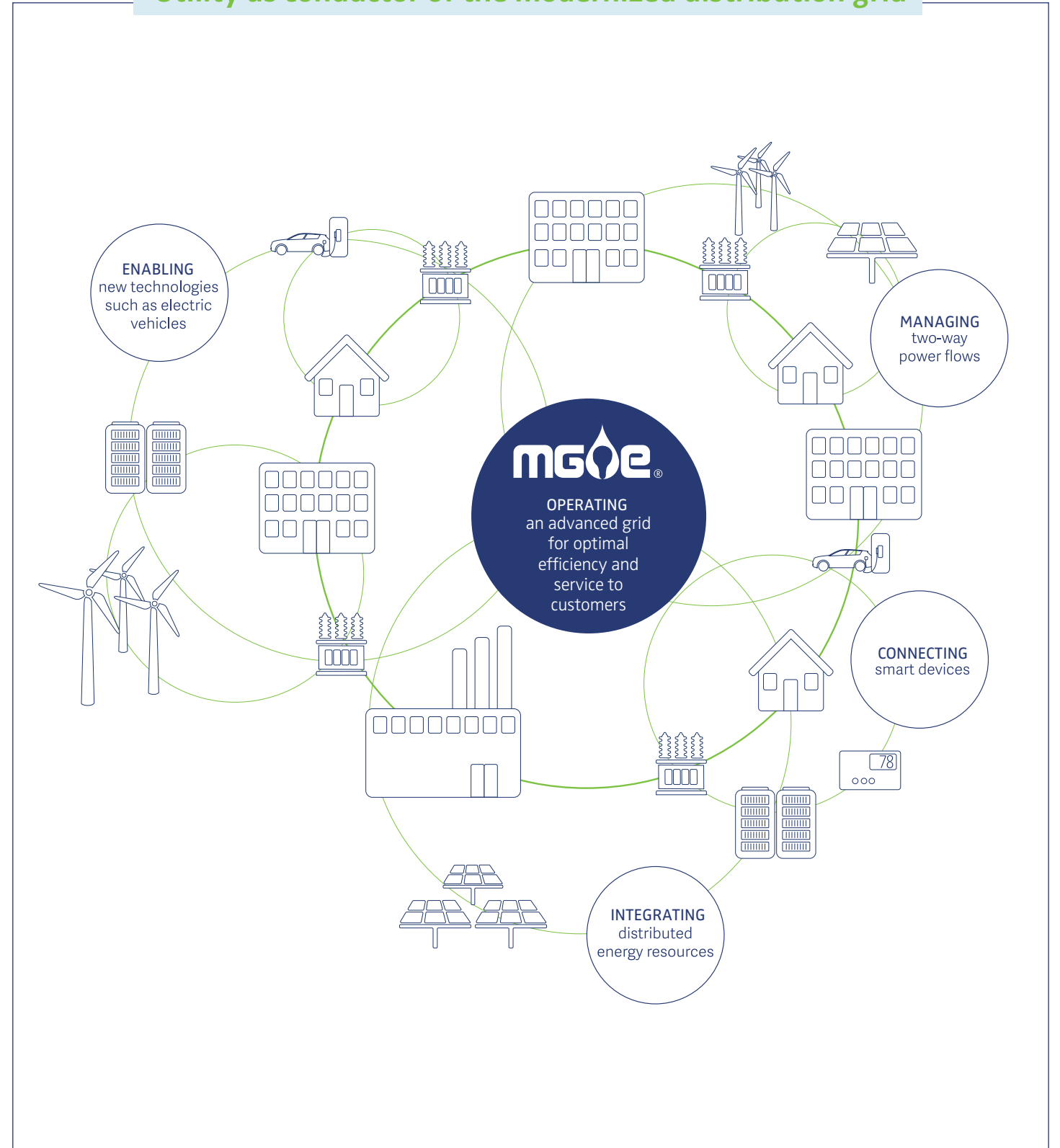
This increasingly more advanced electric grid requires a conductor to ensure the system develops and operates in a way that keeps electricity safe, reliable and affordable for everyone. As the public utility, MGE serves as this conductor for our community grid.

When the utility serves as the conductor of the electric grid, new technologies and resources can add value to the system because the utility is able to dispatch generation and balance demand as needed. With more sources of two-way power flows—power flowing to the customer from the grid and power flowing from the customer's generation back onto the grid—a single conductor system provides efficiency in coordinating the different sources of power and the various needs of the grid in real time to maintain a safe and reliable power supply.

This orchestration benefits the utility as well as customers because it helps to ensure the system operates efficiently and is sized appropriately. The utility as conductor can optimize the efficiency and use of the electric system's assets to help control costs and optimize benefits and value over time, which leads to lower costs for all customers. The benefits of grid resiliency, reliability and a more efficiently managed power system are captured for all customers, individually and collectively.

Today's customer expects a grid that integrates all sorts of energy technologies in a way that gives them choice, flexibility and value. New technology is changing how we plan for the energy grid of the future; however, our obligation to serve customers and communities 24 hours a day, seven days a week, 365 days a year remains unchanged.

## Utility as conductor of the modernized distribution grid





# Safety and Operations

## Highlights

- In 2020, MGE employees achieved historic safety results. Despite working through a global pandemic, we recorded our lowest-ever recordable incident rate.
- We received the 2020 Industry Leader in Accident Prevention Award from the American Gas Association for being an industry leader in employee safety.
- MGE was recognized by the Wisconsin Safety Council with the 2020 Wisconsin Corporate Safety Award for achieving excellence in safety and health management.
- Our Gas Construction and Operations and Division Operations teams worked a total of 118,197 hours in 2020 without an OSHA recordable or lost-time event.
- OSHA recordable injuries at MGE continue to decline companywide, decreasing by more than 60% throughout the last five years.
- When notified of a potential natural gas emergency, MGE crews continue to earn high marks. In 2020, our total response time ranks in the top 12% of a nationwide industry survey.
- In 2021, MGE earned the Green Master designation for the eighth consecutive year from the Wisconsin Sustainable Business Council. Only the top 20% of applying companies receive the Green Master designation.
- Our primary goal under our expanded contract with the Wisconsin Department of Natural Resources for Green Tier certification is to cover all MGE operations under our Environmental Management System (EMS).

**Safety is a core value at MGE and it is embraced by our employees. When it comes to safety, every person and every company can always improve upon their safety performance. That is why we embrace a philosophy of continuous improvement.**



### We Power Safety

In 2014, MGE launched a corporate safety initiative to improve our safety culture and our journey to safety excellence. Our Safety Steering Team meets bimonthly to examine safety topics and to identify and to prioritize continuous improvement opportunities.

Our employees have taken the lead through their continuous improvement efforts to make MGE an even safer place to work. Our employee-led Continuous Improvement Safety Teams (CI Teams) are one example.

MGE's safety vision statement was developed by one of our employee-led CI Teams. The team drafted a statement of safety values that encompasses the business of MGE and creates a positive message that all MGE employees can adopt:

*As MGE employees, we power our own safety and the safety of those we work with to ensure everyone goes home safely. Our goal is zero injuries. Every day. Everywhere.*

Our safety vision statement—we power safety—is highly visible throughout our organization.

In 2020, our employees achieved historic safety results. Despite working through a global pandemic, we recorded our lowest-ever recordable incident rate of 1.17, topping our previous record from 2019. A recordable incident is an event where the injury typically requires a level of care beyond basic first aid. Total recordable incident rate is figured on a per-100-employee average.

In 2020, we recorded our third-lowest lost-time incident rate since we started keeping records in 1971. Our two lowest incident rates occurred in 2018 and 2019. A lost-time event is when the employee is unable to perform his or her job because of the injury and must stay away from work to recover. Total lost-time incident rates also are figured on a per-100-employee average.

Our Gas Construction and Operations and Division Operations teams worked the entire year without a recordable or lost-time event. Employees worked a total of 118,197 hours in 2020 without an event. Building on that momentum, the Gas Construction and Operations team marked two years without a recordable or lost-time event in July 2021. Our Division Operations teams have not experienced a lost-time event in more than five years. MGE has had no work-related fatalities companywide, for both employees and contractors, since 2003.

Total injuries reported continue to decline companywide, decreasing 40% throughout the last five years. OSHA recordable injuries also continue to decline companywide, decreasing more than 60% throughout the last five years.

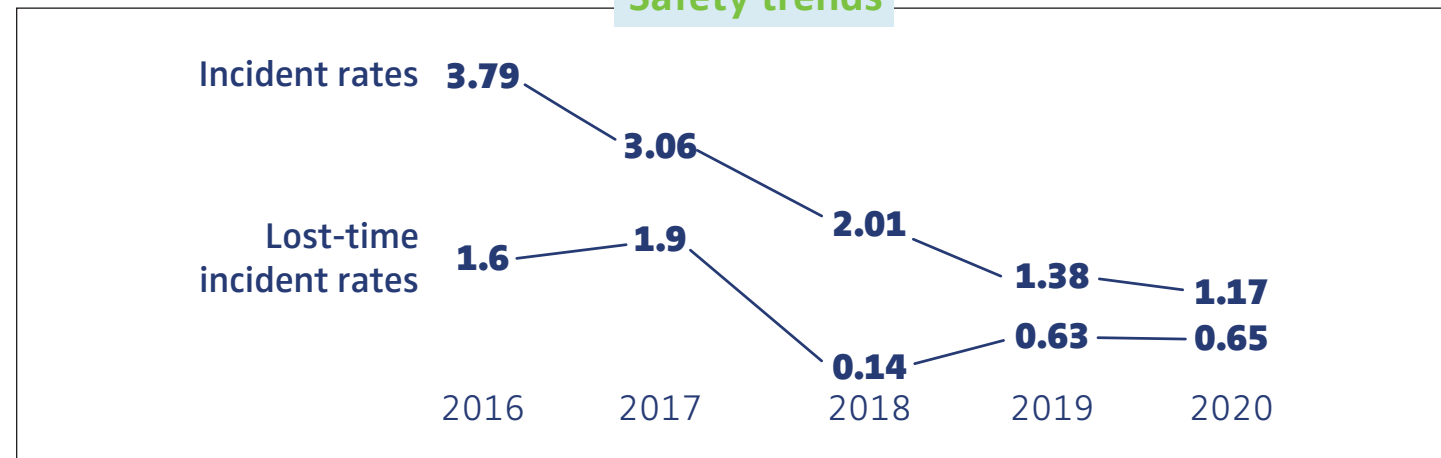
### Safety performance

**40%** decline in total injuries since 2016

**60%** decline in OSHA recordable injuries since 2016

**0** fatalities since 2003

### Safety trends



### Total injuries



### Safety awards

In spring 2021, MGE received the Wisconsin Safety Council's 2020 Wisconsin Corporate Safety Award. The award honors leaders in the state's business community for achieving excellence in safety and health management. The selection committee reviewed statistical data relating to incident rates for the previous three years and health and safety in MGE's workplace.

The 2020 Industry Leader in Accident Prevention Award from the American Gas Association recognizes companies for being an industry leader in employee safety as measured by their DART incident rates. DART stands for days away from work, restricted or transferred. In 2020, MGE had a DART incident rate below the natural gas industry average in the Small Combination Company category.

MGE's DART incident rate has remained consistent in recent years at 0.88 and 0.78 in 2019 and 2020, respectively.

### Safety perception survey

The Safety Steering Team participated in eight hours of training facilitated by Caterpillar Safety Services and discussed safety continuous improvement priorities for 2021. One of those priorities was to conduct our fourth employee Safety Perception Survey, which we completed in early 2021. This tool helps us gauge our strengths and prioritize opportunities for safety improvement. MGE increased scores across all levels (employee, supervisor, manager) since 2018 when the last survey was conducted. Since 2014, MGE's composite score has increased by 9.4%.

### Continuous Improvement Teams

Enhanced safety protocols related to our COVID-19 response interrupted CI Team planning in 2020; however, late in the year, CI Team 9, which began its work prior to the pandemic, resumed its focus on hazardous energy control in Energy Production. The Hazardous Energy Control Team identified an improvement opportunity and is finalizing the new procedure, which incorporates the application of both locking out and tagging out the equipment. The team is training the department on this new safety improvement.

### Near-miss/good catch

MGE's near-miss/good catch reporting process continues to be successful. This proactive process, developed by an employee-led CI Team in 2017, is designed to encourage reporting that identifies, documents, addresses and allows everyone to learn from the reports. The reporting process establishes accountability at all levels of the company to ensure it is implemented in a safe, no-blame environment.

In four years of using the process, more than 180 near-miss/good catch reports have been filed. Sharing reports with employees is designed to help all employees learn about safety issues and to help prevent incidents.

### Proactive safety observations

Our Safety Proactive Observation Team, an employee-led CI Team in 2018, developed a process that provides employees with recognition of positive behaviors. While many companies stopped performing safety observations in the field during the COVID-19 pandemic, we remained committed to our safety goals and conducted more than 200 on-the-job safety observations in 2020—allowing employees in the field to experience firsthand that our commitment to safety remains a top priority. By the end of 2020, all operations employees experienced at least one proactive safety observation.

Since 2018, employees have recorded more than 550 proactive safety observations.



## Employee wellness

MGE offers employees a comprehensive wellness program. Healthy Rewards includes exercise classes led by professional instructors; a fitness room with exercise equipment; educational sessions on nutrition, wellness, weight control and smoking cessation; expertise available from the Mayo Clinic through the [managewell.com](http://managewell.com) website; biometric screenings; health assessments; and annual flu shots. These offerings promote healthy living for our employees. During the COVID-19 pandemic, wellness classes and sessions are being offered to employees virtually.

More employees continue to value health and wellness opportunities. In 2020, 50% of employees registered and tracked their progress on [managewell.com](http://managewell.com), up from 35% in 2016.

### Preventing sprains and strains

MGE supports employees through a partnership with Briotix Health, a workplace injury prevention sports medicine provider that employs athletic trainers. This partnership was launched to address sprain and strain prevention proactively and before medical treatment becomes necessary.

We recognize that our operations employees are industrial athletes. Like professional athletes, operations employees need the highest level of support and care.

Our trainers can help with early intervention to minimize and even eliminate those injuries. The program includes MGE's office employees too.

As a result of this partnership, sprain and strain injuries requiring medical treatment have fallen dramatically. It's a positive program for employees and the company, reducing injuries and producing savings in the workers' compensation fund.

### Reducing sprains and strains on the job

| Year | Work-related cases | Other cases | Total |
|------|--------------------|-------------|-------|
| 2018 | 20                 | 212         | 232   |
| 2019 | 13                 | 216         | 239   |
| 2020 | 13                 | 123         | 136   |

## All hazards response

Whether it's a natural disaster or a man-made disaster, MGE has plans in place to prevent and mitigate damage and ensure safety. Having a well-defined and practiced All Hazards Response Plan (AHRP) is critical to managing and responding appropriately to emergency situations. MGE's AHRP encompasses everything from storm response to cyberattacks.

### Storm Response Plan

MGE takes seriously the risk from severe weather. We have a companywide Storm Response Plan (SRP), which serves as our guide or framework for rapid, effective response to emergencies caused by extreme weather events.

### Mutual assistance

MGE crews provide mutual assistance following storms affecting others. In August 2020, storms caused widespread damage and knocked out power to hundreds of thousands of customers across parts of Nebraska, Iowa, Wisconsin, Illinois, Indiana and Michigan. MGE sent 11 members of our Electric Construction and Operations team to help with storm restoration in Illinois and Iowa.

In early February 2021, five members of MGE's Electric Operations Network team traveled to New York City to assist with restoration efforts from flooding and salt contamination in its underground electric network system. This was the first time MGE had been asked to provide mutual assistance specifically for a network system and the first time members of our Network group had gone on a mutual assistance trip.



## Disaster recovery planning

MGE is committed to meeting customers' energy needs on a typical day as well as during a storm, natural disaster or cyberattack. We review and update our disaster recovery strategies to help ensure safe and efficient business continuity during challenging times.

MGE held a full-day disaster recovery planning exercise in March 2021, simulating a severe storm impacting most of southern Wisconsin. The exercise tested aspects of MGE's response that would only be needed under the most dire circumstances. In most storms, there is only a small potential for environmental impacts with one or two transformers spilling a small amount of mineral oil—and it is handled as part of normal operations. In this exercise, we tested plans for the transition to a large environmental response to deal with large numbers of transformers spilling oil.

We are integrating environmental response plans into our AHRP. This helps us more effectively initiate these plans and ensure environmental protection is a priority in all response actions.

### Incident Command Structure activated during COVID-19

The Incident Command Structure (ICS), which is the basis for all responses under the AHRP, was activated early in MGE's COVID-19 response in 2020. The ICS coordinated the diverse aspects of our response to ensure measures were in place to minimize COVID-19 exposure by MGE employees. By mid-March 2020, the MGE lobby was closed, employee access was restricted to certain areas in various facilities, additional daily cleaning occurred at all MGE facilities and many employees began working from home. By following our safety guidelines, we worked more than 1.5 million hours in 2020 without a single work-related COVID-19 case.

Our AHRP Operations section collaborated with other Wisconsin utilities and the American Gas Association on safe working procedures for field employees. The Gas Construction and Operations and Safety departments developed safe practices for entering a customer's home for a gas leak or pilot light relight. Additionally, our Logistics section, along with Facilities Management, developed contingency plans to allow us to sequester key control center staff if necessary.

## Working to keep our communities safe

In addition to the safety of our employees, the safety of our customers also is a top priority. We strive to keep customers well informed about the potential dangers of electricity and natural gas and what to do in an emergency, using electric and natural gas safety advertising and information included with our bills, on our social media channels and on [mge.com](http://mge.com).

### Safety in the classroom

MGE partners with schools throughout our service territory and offers a wide array of classroom lessons, including electric and natural gas safety. From materials to classroom visits to share safety tips, MGE provides important energy safety lessons to students.

One of the most popular programs is MGE's Switch to Safety. In addition to discussing gas safety, an MGE representative uses a tabletop electric safety model to illustrate and simulate potentially dangerous outdoor electric safety situations. During the pandemic, we reached more than 350 students with virtual safety presentations during the 2020-2021 school year.



### First responder training

MGE works closely with police and firefighters who respond to emergencies within our service territory. MGE's Electric and Gas Operations departments conduct safety training with first responders within the communities we serve.

MGE also routinely conducts drills with the Madison Fire Department at both of our Madison power plants.

## Natural gas safety and sustainability

Ensuring reliability and safety are top priorities at MGE, along with protecting our environment. We are committed to continuing to provide the high level of service our customers expect.

### Industry leader in emergency response

When notified of a potential natural gas emergency, MGE crews continue to earn high marks. In 2020, our total response time ranks in the top 12% of a nationwide industry survey.

This ranking is reflective of our dedicated employees who always put customer safety first and understand what it means to serve as your community energy company. It also shows what a good process MGE has in place—from when the call comes into the Customer Center to when our employees arrive on-site.

### Suppliers' commitment to sustainability

MGE contracts with two natural gas transmission companies, Northern Natural and ANR Pipeline Company, owned by TC Energy.

Both of these companies, as part of their sustainability commitments, are part of the ONE Future Coalition. ONE Future is the trade name for "Our Nation's Energy Future Coalition, Inc." This group of more than 45 natural gas companies works together to voluntarily reduce methane emissions across the natural gas supply chain to 1% or less by 2025. In its 2020 report, ONE Future registered a methane intensity number of 0.334%, beating its 1% goal by 67%.

Northern Natural Gas and ANR Pipeline also are part of the U.S. Environmental Protection Agency's Methane Challenge Program. Partners in this voluntary program report systemic and comprehensive actions to reduce methane emissions as part of efforts to enhance transparency in the industry. Reducing methane emissions decreases operational risk, increases efficiency and demonstrates concern for the environment, with benefits ranging from air quality improvements to conservation of non-renewable energy.

## Sustainability benchmarking and partnerships

MGE is committed to reducing environmental impacts across all areas of the company. MGE voluntarily participates in statewide environmental performance programs and various industry sustainability and benchmarking groups.

### Green Masters program

In 2021, MGE earned the Green Master designation for the eighth consecutive year from the Wisconsin Sustainable Business Council. Only the top 20% of applying companies receive the Green Master designation.



The independent, points-based benchmarking program evaluates applicants in nine key areas: energy, climate change, water, waste, transportation, supply chain, community outreach, workforce and governance. MGE was the first utility to be awarded the distinction in 2014.

### Energy Sustainability Interest Group

MGE partners with the Electric Power Research Institute (EPRI) in a number of areas, including the Energy Sustainability Interest Group (ESIG). The largest sustainability-focused group of its kind in the electric power industry, ESIG:

- » Provides a collaborative industry forum for electric power companies to discuss sustainability issues.
- » Conducts focused technical research and develops specific tools to support sustainability program development.
- » Tackles the challenge of identifying and understanding sustainability issues, goals, metrics and disclosure.
- » Facilitates stakeholder engagement.
- » Informs sustainability reporting initiatives.

ESIG projects focus on priority issues, goals, metrics and sustainability communication for the electric power industry and its stakeholders. The project work may be utilized by group members to inform the development of their own sustainability programs and initiatives. Launched in 2008, ESIG has more than 40 members from the electric power industry.

### Sustainability benchmarking

In 2020, EPRI marked its seventh year of an ongoing effort to identify and understand metrics appropriate for benchmarking the performance of electric power companies on their priority sustainability issues. MGE has participated in this EPRI benchmarking since it began in 2014.

The Sustainability Benchmarking for Utilities project is conducted in collaboration with the previously mentioned ESIG and subject matter experts throughout EPRI. The project work is designed to advance technical research around what a sustainable electric power company looks like and how it can support the sustainable generation, delivery and utilization of electric power to customers.

## Transparency and disclosure

To advance further transparency and disclosure, MGE also participates in the Edison Electric Institute's (EEI) environmental, social and governance sustainability-related reporting template. The voluntary, industry-specific template includes both qualitative and quantitative information, such as generation and emissions data. Our EEI templates are available at [mgeenergy.com/environment](https://mgeenergy.com/environment).

### Task Force on Climate-related Financial Disclosures

Our report is organized to be consistent with the disclosure recommendations identified by the Task Force on Climate-related Financial Disclosures (TCFD) to help customers, investors and other stakeholders better understand our strategies, challenges and opportunities. The company has reviewed the TCFD recommendations, performed an analysis of its disclosures relative to the TCFD recommendations and determined that MGE's disclosures are consistent with the TCFD guidance and recommendations.

## Protecting our natural resources

MGE takes steps to protect our natural resources. This means doing our part to help improve waterways, preserve the natural beauty of our communities and protect wildlife habitats.

### Fund for Lake Michigan/Salt Wise Strategic Development Grant

Lake Michigan's water is critical to Wisconsin's future. MGE supports the Fund for Lake Michigan, which helps sustain the lake for those who depend on it. An initiative of the Fund is the Wisconsin Salt Wise Strategic Development Grant. It provides funding to help communities and regions of the state protect our waterways by becoming salt certified.

In winter, many companies and individuals use salt to combat icy sidewalks and roads; however, excess salt flows into our waterways, negatively impacting water quality. One teaspoon of salt pollutes five gallons of water, and once in the water, salt cannot be broken down. Additionally, chloride, a chemical in salt, is toxic to small aquatic life.

Oftentimes, 10 to 20 times the amount of salt needed to fully melt ice on parking lots and sidewalks is applied. That means up to 90% of the salt put down is washed away. Salt certification provided through the grant trains consumers

how to calculate the amount of salt needed for an area without a lot of waste.

The Wisconsin Salt Wise Partnership spearheaded salt reduction efforts in Dane County. Madison launched the state's first salt certification program several years ago. MGE works with a local certified salt applicator for snow removal at our facilities.

### Black Earth Creek gas project

MGE took extra steps to complete a unique natural gas project in a safe and environmentally friendly manner. Two MGE gas lines were buried underground in Black Earth Creek. Flooding caused them to move above ground but still remain under water. Pipe that is exposed in the water can become damaged, so it had to be replaced.

Black Earth Creek is a high-profile Class 1 trout stream. This means it has sufficient natural reproduction to sustain populations of wild trout, at or near capacity. We took precautions to ensure we completed the project during a non-spawning period. By planning ahead, we were able to mitigate any disturbance to the area or damage to the habitat while replacing our gas pipe.



### Erosion control

We are committed to implementing proper erosion control methods at all work sites. This minimizes the likelihood of soil being washed out of a site. We track permits and inspections and have a committee that reviews new regulations, field techniques and technologies to ensure we effectively manage our erosion-control strategies.

## Stormwater management

Pollutants transported in stormwater are harmful to lakes, rivers, wetlands and waterways. MGE implements measures to protect our water bodies. For example, MGE's downtown parking lot has a stormwater filtration system. This system cleans stormwater before it drains into nearby Lake Monona. This system is effective in reducing pollutants such as petroleum compounds, sediment and phosphorus.

## Phosphorus reduction in local lakes

Another way MGE supports clean lakes is through Yahara WINS. This collaborative water cleanup effort began as a pilot and expanded to a 20-year program to reduce phosphorus in our watershed. MGE supports this project financially through the MGE Foundation and by serving on its technical advisory board. A collaborative approach pools the resources and expertise of community partners. It employs the strategy of watershed adaptive management in which all sources of phosphorus pollution are addressed together to meet water quality goals.

Yahara WINS is exceeding expectations for modeled phosphorus reductions. The program prevented nearly 62,000 pounds of phosphorus from reaching surface waters in 2020. This is a 45% greater reduction than the goal of 33,500.

## Invasive species

Working together with MGE's Environmental Affairs department, operations employees are trained on how to identify invasive species in MGE's service area, plan work around them, avoid contact and follow procedures for post-work cleanup. The combination of interdepartmental coordination and formal systems for dealing with invasive species and non-native plants helps MGE stay in compliance, minimize impacts and avoid project shutdowns.

## Bottle filling stations and filtration systems

Throughout our facilities, MGE has 20 water bottle filling stations and filtration systems for employees to reduce the use of plastic bottles. In the eight years since the first one was installed, MGE employees have avoided using more than 650,000 disposable plastic bottles.

## Solar powers corporate office

Nearly 450 solar panels on our corporate office in Madison, Wis., generate about 10% of the energy needed annually to power the facility. The array, along with 52 panels in our visitor parking lot, represent another step in our ongoing path toward greater sustainability throughout our operations.

In addition, MGE's 2,000-square-foot office building in Prairie du Chien, Wis., has 20 solar panels on the roof capable of producing about 5.3 kilowatts of energy.



## Eliminating waste with e-records

MGE's E-records Center allows employees to submit electronic documents to be stored as records rather than keeping paper copies. Over time, this will reduce our volume of paper. This environmentally friendly option also frees up physical storage space.

## Paperless billing

MGE launched My Bill Pay, an improved online billing and payment system, for customers in 2016. Online billing and payment is a "win-win" for customers and companies. Studies find customers are more satisfied when viewing and paying their bills electronically. Companies benefit by realizing paper and postage savings from not having to print and mail paper bills.

Based on the number of customer accounts signed up for paperless billing as of August 2021, more than 1.5 million bill pages are not printed each year, which saves:

- » More than 3,000 reams of paper per year.
- » More than 15,100 pounds, or 7.5 tons, of paper per year.

The estimated annualized savings from our paperless billing is more than \$400,000.

## Supply chain and waste management

Successful waste management requires a solid recycling program. We encourage employees to make smart choices about the environment. That includes supporting our recycling and waste-reduction efforts every day. We work to conserve, recycle and manage waste efficiently.

### 2020 recycling

**0.58** tons of alkaline batteries

**6.11** tons of e-waste

**72** tons of wood pallets

**152.9** tons of all-in-one office recycling

**571.3** tons of metal

## Reduce-reuse-recycle

Our all-in-one recycling method includes paper products, glass, plastic and aluminum. We also recycle various metals and other scrap materials left over from field work. Our computing equipment and supplies are sent to an e-Stewards certified company for recycling or reuse, and our alkaline batteries go to a vendor who recovers steel and zinc.

A Continuous Improvement Sustainability Team recently updated our battery recycling program. The new policy allows employees to bring in alkaline, NiCad and rechargeable batteries from home. We established collection points around the company for safe, efficient drop-offs.

We also recycle thermostats and other mercury-containing devices, chemicals, steel, iron, copper, glass and cell phones. Additionally, a local vendor takes our wood pallets, recycling them into mulch.

## Environmental Management Information System

MGE's Environmental Management Information System (EMIS), which is used to manage environmental data and processes supporting the monitoring, record-keeping and reporting associated with environmental management,

marked its first full year of operation in 2020. Benefits of the EMIS include access to environmental data to support remote audits and the central tracking of recycling data and waste disposal cost savings.

## Earth-friendly paint

MGE tested multiple options and is now using successfully an earth-friendly paint for marking underground gas and electric facilities.

The overall design of the new paint container allows for increased recycling, a lower volume of hazardous waste and reduced disposal fees of up to \$4,000 per month. Additionally, the new paint product is similar in quality to what we have used in the past and has been more consistent while marking gas and electric facilities. This translates to better efficiency for the locators in the field.

Historically, non-recyclable aerosol paint cans have been used to mark underground facilities. Aerosol cans push out the paint using a propellant, which is often hazardous. Aerosol cans also are under pressure, which causes them to be considered hazardous waste even if the paint in the can is not hazardous.



## Supplier proximity and diversity

MGE is committed to supplier diversity. Our goal is to ensure that equal opportunities exist for all small businesses, women-owned businesses and minority-owned business enterprises.

MGE's corporate policy is to buy locally. We will give preference to Wisconsin manufacturers and distributors. Local purchases support the local economy and are typically more environmentally friendly. When it is time to purchase goods needed to run our company, we review our supplier database and buy from local vendors when possible and cost-effective. Many of the materials and equipment that utilities need are highly specialized; however, we buy U.S. products whenever possible.

## Comprehensive risk minimization

MGE has transitioned to a new software system for use in risk minimization. MGE's Environmental Affairs team oversees hundreds of routine monitoring, record-keeping and reporting tasks, some of which occur every week. In the past, these were tracked on multiple servers to manage the data and deadlines as the tasks were assigned to and tracked for employees across several departments.

In 2019, MGE began using the new software, which replaced all the old servers and more with one comprehensive Environmental Management Information System (EMIS). The new EMIS makes it significantly easier to see and track the different tasks. For example, inspections in the field are now done and saved electronically, which means the data can be retrieved instantly.

The new system provides MGE with better and quicker access to the status of compliance activities and improved information for resource planning. It also improves our reporting performance. This leads to more efficient use of time, better alignment of information management processes and simplified training for turnover or responsibility transfers.

## Environmental Management System

In 2017, MGE expanded the scope of our renewed five-year contract with the Wisconsin Department of Natural Resources for Green Tier certification, which recognizes environmental leadership. Our primary goal in the expanded contract is to cover all MGE operations under our Environmental Management System (EMS). An EMS is a continuous improvement process that evaluates, prioritizes and manages environmental risks.

MGE previously used an EMS at our Blount Generating Station. The expanded scope of our EMS captures environmental improvements across the company and further demonstrates our commitment to goal-setting and environmental accountability.

## EMS goals, targets and action plans

As part of our EMS expansion, MGE's Sustainability Steering Team developed environmental goals, targets and action plans for 2020-2021. These were informed by MGE's Environmental and Sustainability Policy and work done by staff in our operations areas to evaluate and rank MGE's operational environmental impacts. Progress on these initiatives includes having:

- » Implemented a corporate expansion of MGE's EMS that meets Wisconsin Green Tier requirements.
- » Renewed our Green Tier contract with the Wisconsin Department of Natural Resources. Our five-year contract coincides with our recent EMS expansion and covers operations across the company. The new contract requires MGE to have an ISO-14001-equivalent EMS, an annual third-party compliance audit, a third-party audit of our EMS and development of environmental goals.
- » Completed our Green Tier Year 1 third-party environmental regulatory compliance audit with facility operations being in substantive conformance with federal, state, Dane County and Madison statutes and regulations.
- » Completed a third-party audit of our Green Tier EMS system with only two minor non-conformances. Auditors noted the strengths of our young system, including excellent communication and training programs; strong competency and dedication companywide; and leaders who respond to concerns, comments and ideas. As we learn from our compliance and system audits, we will continue to develop new goals and enhance our companywide EMS.

- » Completed one year ahead of our five-year schedule a voluntary effort to replace 440 polychlorinated biphenyls (PCB)-contaminated transformers located around our service area. These transformers contained more than 10,000 gallons of PCB-contaminated mineral oil that we removed for proper disposal. Even as the daily workforce and priorities were restructured during the pandemic, we were able to keep the project moving forward.
- » Added environmental emergencies to the corporate All Hazards Response planning process.
- » Continued to convert to LED lighting at MGE facilities where feasible as well as continued energy efficiency projects during building upgrades and tracking estimated energy savings from these projects. The lighting project removed 626 fluorescent light fixtures and replaced them with 535 LED fixtures. Energy savings of 18 kilowatts will eliminate more than 30 tons of carbon dioxide emissions annually.
- » Continued to implement the Fleet Alternative Vehicle Policy that evaluates new MGE vehicles when it is operationally prudent.
- » Conducted a risk review of MGE's environmental emergency response plans looking at risk to waterways, human health and sensitive environmental features.

In late 2021, the Sustainability Steering Team adopted additional goals, consistent with its commitment to continuous improvement:

- » Perform an analysis of MGE's Scope 3 emissions to inform future goal-setting related to MGE's natural gas distribution.
- » Enhance MGE's environmental emergency response plans for the facilities with high risk to waterways, human health and sensitive environmental features.
- » Evaluate MGE's recycling and disposal options for existing MGE solar panels and wind turbine blades and develop environmental aspects to consider for future purchases of solar panels and wind turbine blades.
- » Determine current pollinator friendly habitat on MGE properties and increase pollinator friendly plantings where feasible.



Crews working on MGE's underground electric network system in downtown Madison use this truck with battery-powered auxiliary equipment, which avoids vehicle idling while crews perform their work, helping to reduce emissions and fuel costs.

## Environmental Management System



# Employees, Customers and Communities



## Highlights

- Our employee-led Sustainability Steering Team takes a global approach to growing our culture of sustainability, including by identifying opportunities for improvement in our processes and prioritizing those opportunities for our Continuous Improvement Sustainability Teams.
- We engage, involve and empower each employee on the job site at MGE. Our Stop Work Authority program focuses on respect for each employee's opinions of whether or not a job is safe to proceed.
- MGE's unionized workforce makes up 44.5% of our total workforce. That percentage exceeds the average private sector unionization rate in the United States of 6.3%. Three different unions represent MGE employees.
- MGE recognizes that customers have varied needs and that the communities we serve are growing and becoming more richly diverse. MGE continually works to develop culturally competent initiatives and communications for our customers.
- MGE works to advance diversity in the energy industry by partnering with local organizations to provide educational career-oriented programming for area youth, including events, programs and partnerships to introduce energy-related careers to students with backgrounds underrepresented in the utility industry.
- In the last five years, our philanthropic arm, the MGE Foundation, has given more than \$6.7 million to more than 400 community organizations.
- In 2020, MGE received the United Way of Dane County's Innovation Award for our annual fundraising campaign, which went virtual due to the COVID-19 pandemic.

**Meeting our shared sustainability goals requires many different partnerships and collaborations. As your community energy company, we engage our communities, customers and employees. Working together is how we achieve our goals and strengthen our communities.**

From establishing a vehicle idling policy to expanding recycling efforts, MGE's employee-led Green Team has helped the company achieve milestones in corporate sustainability and responsibility. Today, our Green Team remains active and strong with a new structure and focus on advancing our history of sustainable practices.

In 2018, MGE transitioned from our employee-led Green Team to our Sustainability Steering Team. The goal is to ensure we take a global and proactive approach to growing our culture of sustainability throughout MGE.

Composed of employees from across the company, the Sustainability Steering Team oversees our Environmental Management System (EMS). It also supports external sustainability engagement and benchmarking, such as our participation in the Green Tier and Green Masters programs. Having team members from departments across the company is a more efficient way to gather data for our voluntary sustainability reporting efforts. The Sustainability Steering Team is overseen by our Executive Sustainability Team, which has officer representation from across MGE.

## Sustainability Steering Team

More than 25 years ago, a small, informal group of MGE employees concerned about the environment laid the groundwork for something bigger. Their efforts evolved into a successful companywide effort to make environmentally responsible choices at work.



## Continuous Improvement Sustainability Teams

The Sustainability Steering Team reviews, evaluates and prioritizes continuous improvement opportunities for the company. The group also assembles Continuous Improvement Sustainability Teams to address specific improvement initiatives and tasks.

## Expanding the company's EMS

Our first Continuous Improvement Sustainability Team is overseeing the expansion of our EMS to cover all of MGE's operations. An EMS is a continuous improvement process that evaluates, prioritizes and manages environmental risks. MGE previously used an EMS at our Blount Generating Station. The expanded scope of our EMS captures environmental improvements across the company. It also further demonstrates our commitment to goal-setting and environmental accountability. See the Safety and Operations section of this report for more information about our EMS.

## Updating battery recycling processes

Our second Continuous Improvement Sustainability Team was developed with the goal to review and recommend improvements to recycling and source reduction in the office. The team's first task was improving the process and efficiency of alkaline battery recycling. Alkaline batteries are difficult to recycle, but recycling batteries keeps metals out of landfills and helps avoid fire hazards at recycling centers.

The team developed a system that takes less time and allows for safe storage and transportation of batteries. Employees are encouraged to collect alkaline, NiCad and rechargeable batteries and drop them off at one of the collection points located around the MGE campus. Rechargeable, NiCad and button batteries must be taped or bagged prior to collection and put in specially marked containers, which are visible and accessible throughout the MGE campus. The team also developed a new Battery Recycling course for employees to take online.

The next steps for the team will be to review MGE's office recycling practices and determine what is working well and where there are opportunities for improvement.

## Combatting the decline of monarchs

Monarch butterfly populations in the United States have seen substantial declines in their population the last few decades. U.S. Fish and Wildlife Service (USFWS) data from the mid-1990s to recent years shows that monarch populations have declined by more than 90% and are reaching population levels that are threatening their survival as a species.

One of the biggest impacts on the monarch population is the loss of habitat for breeding, migrating and overwintering. The monarch butterfly needs habitat for both its caterpillar and adult populations. Adult monarchs feed on the nectar from many flowering plants throughout the growing season, but they breed only in areas where milkweed is found. Milkweed is critical for their survival. Monarchs lay their eggs on milkweed and their caterpillars are dependent on milkweed as a food source during their development. Milkweed is native to Wisconsin and can be found almost anywhere wildflowers grow throughout the state.

## A protection agreement

Since monarchs migrate, they need to be able to find suitable habitat throughout their migration pathway. Increased development, fragmented habitat and intentional removal of milkweed all contribute to an overall reduction in habitat. One way the USFWS is working to address this is through the development of a voluntary agreement with utility companies and departments of transportation in the states where monarchs are found.

The voluntary agreement, called the Monarch Candidate Conservation Agreement with Assurances (Monarch CCAA), is designed to increase monarch habitat throughout their migratory range using transportation and utility properties, such as rights-of-way and generation facilities, to plant monarch-friendly milkweed and flowering plants. The agreement allows utilities flexibility for further growth and protection against future monarch regulatory obligations in exchange for agreeing to maintain and/or create monarch habitat on a certain percentage of their properties.

The Monarch CCAA also supports other pollinators, such as native bees. Land dedicated to the CCAA will have flowering plants from spring to fall, which many native bee populations need to thrive.

## MGE providing habitat

MGE has been increasing our efforts to provide habitat for monarchs and pollinators at our facilities. Some MGE solar generation sites include plans for native plants, including milkweed. We are taking inventory of what habitat we have planted and planned, and we're looking for opportunities to expand where it makes sense. Our habitat conservation efforts at these solar sites are a good fit since we have space around and even under the solar arrays that would otherwise be turfgrass.

MGE also continues to review whether the Monarch CCAA is a good fit for our monarch and pollinator commitments.

## A culture of diversity, equity and inclusion

At MGE, we value diversity, equity and inclusion. MGE promotes an inclusive, respectful work environment where individuals and groups can achieve their full potential. We support all employees and provide equitable access to employment and development opportunities.

Our goal is to create a healthy, inclusive, safe and productive work environment for all. All employees are responsible for assisting MGE in meeting our objectives around diversity and inclusion as well as supporting the concepts of equal opportunity and affirmative action. We believe our collective diversity makes us stronger and more complete, both within MGE and throughout our community.

One of our corporate initiatives aims to ensure our increasingly diverse customers and employees experience us as “their” community energy company. Through an executive-led working group with representation from across the company, we continue our focus on customer communication and engagement as well as skills development and training to further promote an inclusive and respectful work environment to better serve our customers and communities.

Every employee at MGE experiences programming around a wide range of topics, including diversity, harassment and our Code of Ethics. Employees who witness any harassment or discrimination issues are encouraged to bring them to the attention of Human Resources or file a report using our anonymous employee hotline.

### Code of Ethics

As outlined in MGE’s Code of Ethics, employees are expected to comply with all laws and regulations and to act in accordance with the highest ethical standards in matters with each other, customers, vendors and those who do business with or seek to do business with MGE. All employees sign the Code of Ethics when they are hired, and a reaffirmation of the Code of Ethics is required every year.

### Freedom of Association and human rights

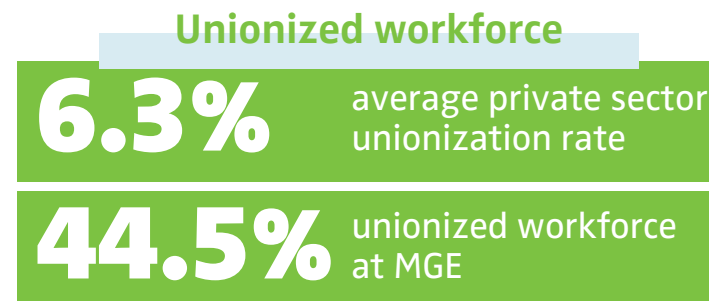
We comply with all federal, state and local employment ordinances. We also adhere to principles and norms that protect human rights in employment, including the freedom of association and the freedom to bargain collectively.

MGE recognizes its employees’ right to organize and engage in collective bargaining under the National Labor Relations Act.

The MGE workforce is represented by three different unions:

- » International Brotherhood of Electrical Workers (IBEW), Local 2304
- » United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, Local 2006, Unit 6
- » Office and Professional Employees International Union, Local 39

The unionized workforce comprises 44.5% of MGE’s total workforce, far exceeding the average private sector unionization rate in the United States of 6.3%.



### Inclusion and empowerment in our safety program

Our journey to safety excellence is guided by our Safety Steering Team (SST), which is made up of employees. The SST meets regularly to examine safety topics and to identify and to prioritize continuous improvement opportunities. It oversees the creation of our Continuous Improvement Safety Teams (CI Teams), which are employee-led teams made up of personnel directly impacted by the projects.

Employees lead monthly large group and small group safety meetings. Field crews hold daily safe-start job briefings or “tailboards” at individual job sites. These briefings focus on hazard awareness and job-specific safety. They engage, involve and empower each employee on the job site and establish accountability.

MGE’s Stop Work Authority program specifically addresses differences utilizing a “Speak Up Listen Up” safety training. This training focuses on respect for each employee’s opinions of whether or not a job is safe to proceed. Specifically, the training encourages workers to speak up if they are unsure whether a job should proceed. The training also emphasizes that employees need to listen to a coworker’s concerns and respect the idea that each employee has the right and the obligation to use Stop Work Authority if there is a question that needs to be answered. The process trains our workforce to respect the value everyone brings to the job.

## Employee engagement and development

The energy world is ever-changing. We believe it’s important to engage our employees as our industry evolves. MGE is committed to sustainable workforce practices, such as career development and training.

### The Learning Center

MGE offers all employees the opportunity to learn and grow—whether it is to become more proficient in their job, improve decision-making skills or prepare for a move to another role. We support employees by providing the right tools—learning and content—needed to develop the knowledge and skills necessary to grow and be successful and ensure MGE has a workforce that is knowledgeable, prepared and high-performing so it can deliver on our goals and objectives.

The Learning Center is an online resource available to all MGE employees. Launched in 2017, this cloud-based tool contains a vast library of courses available to employees for online learning. It recommends training courses for employees based on the courses they’ve already taken and subjects in which they have shown interest, and it provides a transcript of courses they have taken in The Learning Center as well as corporate training they attend.

The Learning Center is constantly updated with courses relevant to MGE employees and now has more than 5,000 courses available and nearly 200 curated playlists. This helps ensure employees are equipped with the knowledge and skills to effectively navigate our changing industry.

When the COVID-19 pandemic hit, The Learning Center was ready. More than 2,000 new courses were added in 2020 including toolkits for working from home and leading remotely; new training on COVID-19; and safety, mental health, stress management, resilience and well-being.

Since The Learning Center was launched, MGE employees have attended nearly 44,000 training sessions. That includes instructor-led training, online training and video training.



Between August 2020 and August 2021, employees completed more than 9,500 online courses and watched about 3,000 training and development videos. The Learning Center launched an app, giving employees access to more than 1,000 courses from their mobile devices.

## MGE Learn THE LEARNING CENTER

### Staying connected while working remotely

Using the tools available in The Learning Center, we created an online employee community to help employees stay connected and engage with each other while working remotely during the COVID-19 pandemic. All employees have access and are welcome to participate in the Remote Work Community. It is a place for social collaboration, connecting with others and sharing information. The Remote Work Community has subtopics for employees, including tips for working remotely, leading remotely, working remotely with kids and pets, and a “just for fun” area where employees can post about anything.

### Stronger Together

The Learning Center has a section dedicated to information about inclusion, diversity, discrimination and harassment. In the Stronger Together section, employees can find courses, articles, podcasts and more. The page is updated regularly to remain current.

### Learning from other businesses and industries

For several years, MGE has partnered with the University of Wisconsin E-Business Consortium (UWEBC). Created in 1998, the UWEBC brings together employees from all levels of leading Wisconsin companies to learn from each other.

The UWEBC focuses its efforts in four areas critical to a diverse range of businesses: customer service, information technology, marketing and supply chain management. Events are structured to bring together people from different industries in the following formats: topic-centered peer groups, special interest groups and member-to-member advising. Support for the UWEBC from MGE gives our employees the opportunity to grow and learn by participating in UWEBC events and programming.



*“Healthy Rewards is a good way for me to hold myself accountable for maintaining a healthy lifestyle. It’s essentially my checklist each year to ensure I’m staying on top of my health,” said Nick Henneger, Operations Administration. “I also love the convenience of being able to sync my fitness tracker to ManageWell and earn points for my physical activity without going into the site to manage it.”*

## Committed to employee wellness

We encourage employees across the company to make health and wellness a priority. Good health brings vitality and energy to our work lives and our home lives. One of the ways we have worked to keep things as close to normal as possible for employees during the COVID-19 pandemic has been to provide virtually many of the same opportunities that existed at MGE facilities prior to the pandemic.

### Healthy Rewards

MGE’s Healthy Rewards program offers many opportunities throughout the year for employees to take charge of their health. Employees can take fitness classes and work out in an on-site fitness center and attend Power Lunches with guest speakers covering topics such as healthy eating, meditation, stress management, financial well-being and mental well-being during a pandemic.

With many employees working remotely during the COVID-19 pandemic, we’ve been able to move many of our popular wellness and fitness classes online to enable participation from home. Our Power Lunches also have moved online.

MGE also partners with ManageWell®, which serves as a personal, confidential online health management portal for employees. They can take a health assessment each year, track activity toward Healthy Rewards goals and take advantage of the many healthy living tools available at [managewell.com](http://managewell.com).

### Ergonomic assessments for office personnel

Several years ago, MGE began a partnership with Briotix Health, a workplace injury prevention sports medicine provider that employs athletic trainers. The trainers teach employees how to properly warm up and stretch before performing physically demanding work. This partnership also serves office employees.

## Employee benefits

Our compensation package offers a variety of benefits to both full- and part-time employees. Full-time benefits include:

- » Health insurance
- » Dental insurance
- » Health savings accounts
- » Flexible spending accounts
- » Vision reimbursement
- » Maternity/paternity leave
- » Vacation/paid time off
- » Tuition reimbursement
- » Employee retirement savings plan – 401(k)
- » Life insurance
- » Employee Assistance Program
- » Long-term disability benefits
- » Sick leave/short-term disability benefits
- » Wellness incentives
- » Service awards

Our athletic trainers’ schedule includes weekly hours in our general office specifically for employees who work in an office setting. During the COVID-19 pandemic, with many employees working remotely, the trainers’ office hours are virtual. It allows office-based employees to gain a better understanding of ergonomics, how their bodies work and ways to reduce discomfort while working. Consultations are not limited to work-related injuries. The majority of the consultations involve non-work-related injuries or issues.

MGE’s Healthy Rewards program rewards employees for participating regularly in healthy activities and learning about their health risks. In 2020, 50% of employees registered and tracked their progress through ManageWell.

### Maintaining work-life balance

MGE offers a variety of benefit plans to fit our employees’ needs—from health and dental insurance to retirement and work-life balance.

Work-life balance is an important part of a healthy work environment. Maintaining work-life balance helps reduce stress and helps prevent burnout in the workplace. MGE understands how critical it is for our employees to maintain a good work-life balance. We understand that balancing the challenges of work and home can be overwhelming at times. This is why we have an Employee Assistance Program, which provides confidential resources for employees and offers professional counselors free of charge to talk to 24 hours a day. Courses are available in The Learning Center to explore work-life balance, what it is and how to maintain it. These courses are available to all employees.

### MGE scholarship program

MGE is proud to offer a scholarship program to MGE employees and retirees to assist with their children’s higher education. The Madison Gas and Electric Company Scholarship Program awards partial scholarships for postsecondary education at any accredited school in the United States. These scholarships are funded by MGE and administered by a third party. The awards are renewable for up to three years or until a bachelor’s degree is obtained, if students maintain a 2.5 cumulative grade point average. The MGE Scholarship program has awarded \$1,197,000 to students since it began in 1999.

## Engaging our employees

We engage our employees in a number of ways with various media and technology to keep them informed about what’s happening across the company, the industry and the communities we serve. From company initiatives and projects to our strategies for achieving net-zero carbon electricity and important employee benefits information, we strive to keep employees informed and engaged by providing them with clear, timely and relevant information.

In summer 2021, we conducted an employee communications survey to help us better understand how we can continue to meet their communications needs and preferences. The results show many employees are engaged and appreciate the flow of information they receive.

Employee satisfaction scored a 4.2 out of 5 for overall satisfaction with the ways we communicate with them. About 85% of employees also feel that the amount of communication they receive from the company is the right amount and 81% say they are consistently up-to-date on news and updates about MGE.

Employees especially appreciate the regular video messages from Chairman, President and CEO Jeff Keebler. These video messages began in April 2020 after our remote-enabled employees began working from home due to the COVID-19 pandemic. The video messages, emailed to all employees and posted on MGE’s employee intranet, cover everything from the pandemic’s impact on our work patterns to new renewable energy projects and customer programs as well as messages of appreciation from customers for our employees, among other topics.

Using the information learned from the survey, we will continue our efforts to keep employees informed and engaged and challenge ourselves to find more ways to communicate with them most efficiently and effectively.

### Employee communications survey results

**78%** satisfied with internal communications channels

**85%** report receiving the right amount of information from MGE

**84%** report it’s easy to find news and updates about MGE



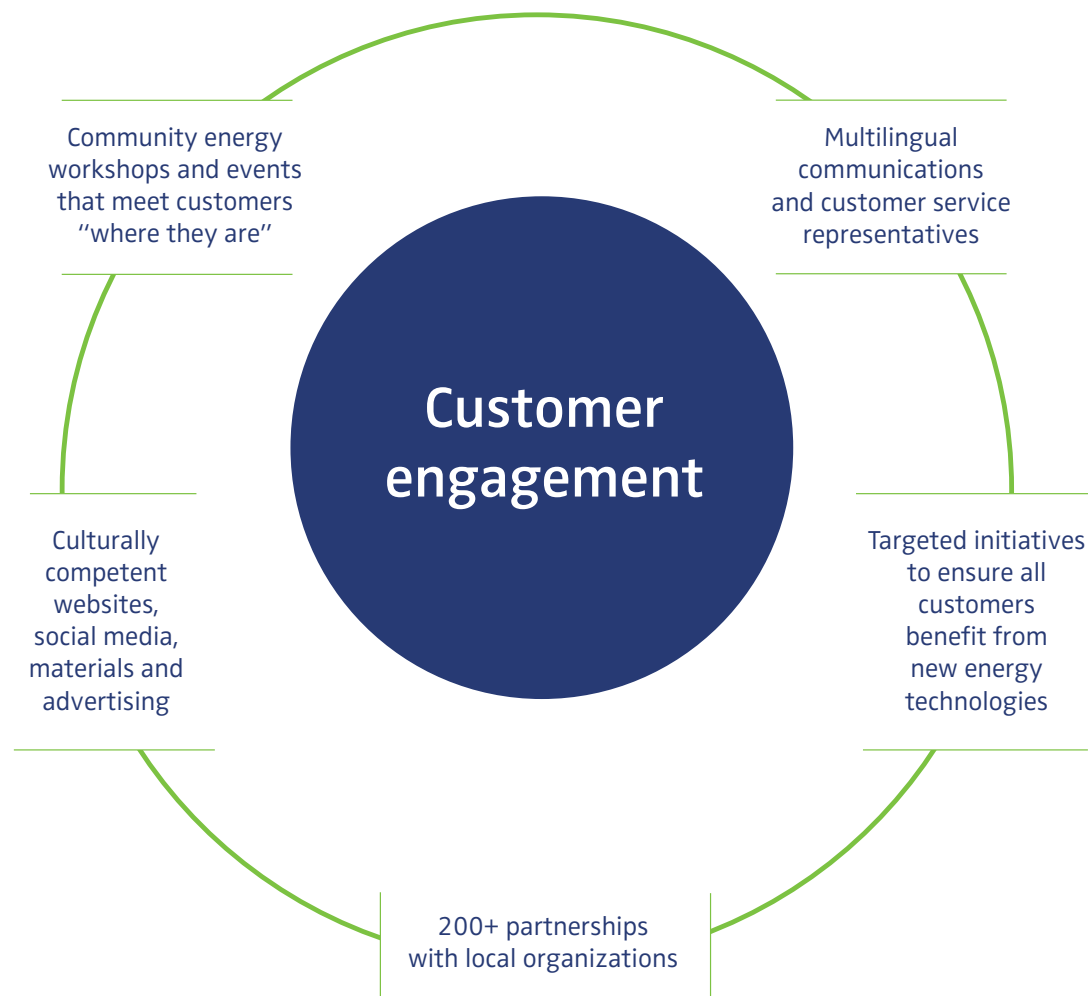
## Engaging and serving our diverse customer base

As your community energy company, we seek to engage all our customers in a variety of ways. We work to ensure all customers experience us as “their” community energy company. Understanding the barriers our customers may face and meeting them “where they are” is at the core of our mission.

We recognize that customers have varied needs and that the communities we serve are continually growing and becoming more richly diverse. We work to develop culturally competent initiatives, communications and services for our customers. Our dedication to understanding our customers and meeting their unique needs is reflected in how we engage, support and partner with those we serve.

MGE has two departments, Residential and Community Services and Commercial and Industrial Marketing, dedicated to specific customer segments and community relationships and partnerships within those segments. Each department has employees assigned to specific customer segments, including Latino customers, Hmong customers, neighborhood associations, advocacy organizations, communities of faith, lower-income customers, multifamily customers, agricultural customers, nonprofits, state and local governments, hospitals, major customers and others.

MGE maintains relationships with more than 20 specific sectors in our community and works closely with more than 200 local organizations and community stakeholders to reach customers who may be more difficult to reach directly due to either language or cultural barriers or other reasons. MGE seeks to engage all customer segments by having account managers and Residential and Community Services managers to build relationships.



## Connecting with our diverse communities

MGE is committed to serving and connecting our richly diverse communities through a myriad of partnerships and engagement strategies.

To help us stay connected with our evolving multicultural customer base, MGE’s Residential and Community Services team develops culturally competent digital resources that integrate social media, web content and videos to serve our communities of color. At [livinginbalancemadison.com](http://livinginbalancemadison.com), MGE shares stories and videos from our Residential and Community Services team, community leaders, customers and local businesses about what it means to be sustainable and how MGE is working together with customers to meet shared sustainability goals. MGE hosts a family of websites to meet the needs of our diverse customer base and partners with

local groups to connect with Spanish- and Hmong-speaking customers, including through Facebook.

MGE also is committed to supporting family-friendly activities that help us engage with our customers directly and create enriching experiences for all of those we serve. For example, MGE’s Día de Fútbol has become an annual event each fall at Madison’s Breese Stevens Field. The partnership among MGE, Forward Madison FC and La Movida Radio provides the community a chance to enjoy free youth soccer clinics and scrimmages, food, music and information from MGE’s energy experts. From electric and natural gas safety to energy efficiency tips and EVs, families have an opportunity to interact with our energy experts and get answers to their energy-related questions. Cancelled due to COVID-19 in 2020, Día de Fútbol returned in fall 2021.



Senior Energy Equity and Innovation Manager Mario Garcia Sierra with members of the Gonzalez family, co-owners of Compadres Mexican Restaurant, which is featured in a video at [livinginbalancemadison.com](http://livinginbalancemadison.com). Garcia Sierra says of engaging communities of color in sustainability matters: “It can be intimidating if you’ve never been around those circles. You’re invited to these conferences and you just don’t relate. So that’s why a goal of this platform is to be culturally relevant to communities of color, so they see it and say—‘ah, that’s what they mean.’”

## Advancing diversity through future generations

MGE works to advance diversity in the energy industry by partnering with local organizations to provide educational career-oriented programming for area youth. These events, programs and partnerships help to introduce energy-related careers to students with backgrounds underrepresented in the utility industry.

### MGE Career Ambassadors

Every summer, several Madison high school students spend six weeks at MGE as part of our Career Ambassador Program, now through its sixth year. The Career Ambassador Program is a pre-college program to help local high school students from partnering organizations such as the Boys & Girls Club of Dane County, Centro Hispano, the Urban League of Greater Madison, 100 Black Men of Madison and Maydm. The students learn about the utility business and utility-related career opportunities and gain experience in the workforce. After being completely virtual in 2020, MGE continued the Career Ambassador program in 2021, with a mostly virtual experience. The students learned about renewable energy, electric vehicles, sustainability, compliance, engineering, marketing, human resources and operations careers.



*In summer 2021, students from the Career Ambassador Program visited MGE's O'Brien Solar Fields project in Fitchburg, Wis., to learn about the 20-MW solar array from MGE renewable and distributed energy engineers. Human Resources Manager Laura Kaker says of the program: "The MGE Career Ambassador program creates connections between students and employee mentors and creates connections to ideas of what possible career opportunities are out there. This year's participants were eager to connect, ask questions and explore these possibilities. Though mostly virtual, it was really cool to see the smiles and interactions when we did meet in person. Each student brought their own energy to the program, and it was a summer well spent."*

### STEAM Camp

Since 2017, STEAM Camp has become a summertime activity at MGE. Dozens of middle school students participate in the weeklong camp typically held at sites across Madison. STEAM Camp engages the students in educational pathways that lead to careers in science, technology, engineering, arts and mathematics (STEAM). Due to the ongoing COVID-19 pandemic, 2021's STEAM Camp was held virtually.

MGE employees helped STEAM Camp participants learn how MGE is growing our use of renewable energy and how we keep the lights on and the gas flowing for our customers. They also learned about STEAM careers in the utility industry. Strang Architects of Madison partners with the Urban League of Greater Madison to bring STEAM Camp to MGE and other local organizations.

### College internships

MGE hosts college interns throughout the year in a variety of departments, providing them with valuable skills to advance their career. Giving local students exposure to careers in energy also benefits MGE. Several past and present MGE employees started their careers with us as college interns.

### Community education outreach

MGE connects with thousands of students annually through various programs, events and other activities, providing utility-based education to students across our service territory, both in and out of the classroom. Topic areas range from energy efficiency and sustainability to safety and careers.

We also support opportunities for teachers through Wisconsin's K-12 Energy Education Program (KEEP). KEEP was established in 1995 to improve and increase energy education in Wisconsin. The collaborative effort offers professional development opportunities for certified teachers in the state. Teachers whose schools are located in MGE's gas and electric service area can receive partial scholarships from MGE to offset the cost of coursework.

MGE also offers several popular loaned educational resources including our Pedal Power bike, Solar Oven, Watts Up electricity consumption meters and a mini photovoltaic kit. These resources are designed as supplemental classroom aids or are used at community events to engage young people in energy efficiency, conservation and clean energy. They are

promoted through our Powerline teacher newsletter, which publishes each fall and spring to provide information about MGE's resources, tools, programs and presentations for area schools.

### Celebrating Arbor Day with local students

MGE celebrates Arbor Day annually with students at Shorewood Hills Elementary School. After being cancelled in 2020 due to the COVID-19 pandemic, a scaled-back version of the Village of Shorewood Hill's Arbor Day celebration returned in 2021.

MGE helped purchase three trees (a musclewood, a sugar maple and a tulip tree) that were planted on and near school grounds. Students and volunteers also participated in a tree walk, celebrating all of the trees MGE has helped plant through the years. A local arborist who lives in the village demonstrated how to perform young tree pruning and talked to the students about the importance of helping develop strong tree structure while trees are young.

The year marks MGE's 16th year of participation in the Shorewood Hills Arbor Day celebration.



## What customers are saying about MGE

### Customer satisfaction

MGE works hard to anticipate customers' needs and exceed their expectations. While how we serve and connect with customers has evolved—and continues to evolve—over time, our commitment to delivering a positive customer experience remains steadfast. To us, the customer experience is not about one interaction with MGE; rather, it's a culmination of all the interactions a customer has with us.

We take our responsibility to our customers seriously and measure customer satisfaction annually to help monitor how customers experience us. In our surveys throughout the last 10 years, MGE has consistently received high scores, demonstrating that both residential and business customers have remained relatively satisfied with MGE's overall performance.

We often receive emails, letters and phone calls from customers recognizing great customer and community service by MGE employees. The following are just a few examples of the many notes we received in 2020 and 2021.

#### Daniel:

I wanted to share my immense gratitude for two of your workers who were working across the street when I accidentally fell out of my wheelchair and whistled for them and waved them over. I hurt my shoulder and was unable to get back up in my chair and they helped me. Please if you know who these awesome men are extend my sincere appreciation.

#### Lois:

I just want to thank MGE for the great customer service I've received for the last 65 years. You are fabulous and I appreciate all that MGE does for its customers. Thank you!

#### Donna:

I want to thank you for being so kind and patient with me. Each time I talk to any of you I always feel respected, regardless of the topic.

#### Gary & Joan:

We just wanted to pass along how pleased we were with our meter relocation project at our residence. Each person on the team was very thorough and professional. We were very happy with the work done.

#### Karen:

Just want to say thank you to the MGE workers who were out in the neighborhood working through the night cleaning up after the storm last night. They did a great job!

#### Susan:

Thank you so much for coming to the rescue of a neighbor's cat! A group of us tried unsuccessfully all morning to lure her down, so we were thrilled when you arrived with tall ladders and brought her down safely. This was particularly kind of you since the pole she was sitting on does not belong to MGE. Acts of kindness like this are indications of a company's values, and we were all very impressed by your quick response. Thanks for being such good neighbors!



## Supporting the community throughout the COVID-19 pandemic

We understand that our customers have varied backgrounds, experiences and needs. As your community energy company, we are committed to meeting our customers where they are, to providing safe and reliable service, and to ensuring they know MGE is here to help in challenging times.

Throughout the COVID-19 pandemic, we used multiple channels to reach out to customers, including digital advertising, emails, newsletters, social media, outdoor events, virtual meetings and collaborations with our community partners.

### Connecting with our most vulnerable customers

Collaborating with community partners, MGE's Residential and Community Services (RCS) team conducted research that allows us to identify our most vulnerable customers based on household income and the impact of the COVID-19 pandemic.

The RCS team used census tract data, or data based on population characteristics, to identify customers most in need of assistance. Using this data, the team identified three clusters in Madison that have been hit especially hard by the pandemic. By identifying these clusters, the team was able to reach out directly to our community partners in these census tracts for help connecting with impacted customers. For example, a nonprofit organization, community leader, Facebook group or neighborhood church could help us provide information to customers within their community.

To connect with these customers, the RCS team emailed more than 300 community partners to remind them of the services available to customers having trouble paying their utility bills. The communication included information for customers to set

up a personalized payment plan if they have fallen behind on their bills. From the email sent to those community partners, we were able to determine the email was accessed or opened more than 9,500 times, enabling MGE to provide important information to our customers during a challenging period for our community.

### Helping pay utility bills

MGE also has a longstanding partnership with Energy Services Inc. (ESI) in Dane County. ESI works with lower-income customers who are having trouble staying current on their utility bills, providing assistance to help cover a portion of those bills. MGE also works closely with agencies outside of Dane County to help customers in those areas of our service territory.

MGE supports the Keep Wisconsin Warm/Cool Fund, which is a statewide nonprofit that also assists lower-income households that are unable to pay their energy bills.

Created in 1985, the MGE Energy Fund also helps customers having a hard time paying their winter heating bills. Donations come from customers, shareholders and MGE employees. In 2020, we received more than \$100,000 in donations to the MGE Energy Fund. All of the money raised goes directly to help people in the community. A nonprofit agency distributes the money, and MGE shareholders pay the administrative costs. Each year, the MGE Energy Fund helps about 300 families.

In addition to letting all our customers know we would maintain safe and reliable service throughout the public health emergency, we widely communicated a number of options to help customers who were experiencing hardship, including continuing to work out deferred payment agreements with customers who requested them.

## Connecting with our customers

As we work to meet all of our customers where they are, we connect with our diverse customer base in many ways, including through:

- » Account representatives, customer service representatives in our local call center, and Residential and Community Services managers
- » Customer newsletters, emails and bill inserts
- » MGE's family of websites: [mge.com](http://mge.com), [mge2050.com](http://mge2050.com), [mge.com/LovEV](http://mge.com/LovEV), [livinginbalancemadison.com](http://livinginbalancemadison.com), [genre2030.com](http://genre2030.com)

- » Social media: Facebook, Instagram, LinkedIn, Twitter, YouTube
- » Culturally competent materials and advertising
- » Community energy workshops and events
- » GreenView video series
- » Major Customer Council meetings for commercial and industrial customers
- » More than 200 partnerships with local organizations
- » Employee service and volunteerism

## Giving back

MGE's commitment to those we serve extends far beyond reliable energy. We are committed to helping improve the quality of life for all of those we serve. We contribute to and help to better our community in three different ways.

### The MGE Foundation

Established in 1967, the MGE Foundation is our philanthropic arm. Support from the Foundation helps our local organizations improve lives today and the lives of future generations by working to preserve the long-term health and vitality of our community. In the last five years, the Foundation has given more than \$6.7 million to more than 400 community organizations. In 2020 alone, the Foundation contributed to more than 150 local organizations serving environment and health, culture and enrichment, equity and inclusion, youth and education, and community service-oriented initiatives.



### MGE corporate giving

MGE collaborates and works together with hundreds of organizations to provide service, help improve lives, tackle challenges and seize opportunities facing our community. We partner with local stakeholders in a variety of ways to advance shared goals and initiatives.

### Employee volunteerism and service

Our dedicated employees embody what it means to serve as your community energy company. Outside of their jobs at MGE, they play active roles in helping improve our community. Many of our more than 700 employees volunteer on local boards and committees and as members of economic development and nonprofit organizations.

### MGE Report on Giving

MGE publishes a Report on Giving, which highlights some of the ways in which we give, partner and work to support the communities we are privileged to serve. Our full report on giving is available at [mge.com/Foundation](https://mge.com/Foundation).

## Contributions during the pandemic

We are proud to support the many organizations and community partners that continue to provide increased services directly to community members affected by the COVID-19 pandemic. These groups have been able to positively impact thousands of lives across our community by providing things like food, clothing, school supplies and more.

### Partnering to improve our community

MGE is a longtime supporter and partner of the United Way of Dane County. The organization's extensive reach helps our customers and broader community. The United Way works toward lasting change, sharing MGE's goal of making our community a better place to live, work and enjoy.

MGE consistently ranks among the top 10 companies in total donations to the United Way. In 2020, MGE and our generous employees and retirees gave more than \$280,000 to the local campaign. MGE employees also serve on various United Way boards, committees and Leadership Giving groups, helping to set the direction and address the needs facing our community.

### United Way Innovation Award

MGE received the United Way of Dane County's Innovation Award for its 2020 United Way campaign. The award honors MGE and its employees for their commitment to raising awareness and resources through creative strategies. MGE's 2020 campaign was the company's first-ever virtual campaign due to the COVID-19 pandemic.



### Dane Workforce Housing Fund

Understanding that a lack of affordable housing is one of the more critical issues facing Dane County, the MGE Foundation is supporting the newly created Dane Workforce Housing Fund (DWHF). The DWHF was created by the United Way of Dane County's Economic Stability Council and the Madison

Development Corporation, a nonprofit that owns and manages affordable housing units in the Madison area and provides financing for hard-to-finance businesses in Dane County.

The DWHF is investing private funds to help increase access to affordable housing in Madison and Dane County. Its primary goals are to:

- » Create 500 new affordable workforce housing units in Dane County in the next three years.
- » Keep these units affordable for at least 15 years.
- » Give a modest rate of return to socially responsible investors.
- » Fill a gap in funding without which these workforce units would not be created.

### Energizing Madison

A healthy economy contributes to a healthy community. MGE is committed to continued growth and a thriving economy in the greater Madison region.

We partner with business, education and government leaders to ensure our area businesses have the resources and connections they need to start, stay competitive and grow with the region. MGE's economic development team helps businesses get access to financing, increase profitability and connect with business resources within the region. In addition, our account managers in our Commercial and Industrial Marketing area work with new and existing businesses in a variety of ways, including helping them to expand sustainably, reduce their carbon footprint and manage their energy use.

## Support for women entrepreneurs

The Doyenne Group was founded in 2012 with a goal of eliminating the gender gap in the entrepreneurial community. Doyenne believes that when women-led businesses thrive, our entire economy thrives.

Doyenne is working to build a community-wide entrepreneurial ecosystem that invests in the power and potential of women entrepreneurs. Doyenne helps increase the opportunities for women from all backgrounds to access professional development and resources and build lasting connections.

MGE is a proud partner and supporter of the Doyenne Group and its efforts to advance women's entrepreneurship. We have provided financial support through the MGE Foundation to help further those efforts.

The Doyenne Group's office is located in StartingBlock Madison, the entrepreneurial hub serving Madison's growing start-up community. It offers affordable and flexible workspaces, business resources and a collaborative atmosphere to help grow emerging companies into successful businesses that drive innovation and stimulate the local economy. MGE also is a proud partner and supporter of StartingBlock.



Photo courtesy of the Doyenne Group

## Falcon restoration

Since 2009, peregrine falcons have nested at our Blount Generating Station in downtown Madison, Wis. Man-made nesting boxes at power plants have proven ideal homes for the birds of prey, which are an endangered species in Wisconsin. The use of DDT pesticide beginning in the 1940s eradicated them.

Falcons were reintroduced to Wisconsin in the 1980s, and while they are listed as endangered in Wisconsin, they have made a slow, steady comeback due to statewide efforts and nesting boxes like the one at Blount. The original nesting box at Blount was installed in 1999. It was built by an MGE employee and his son. In fall 2018, due to renovations at

Blount, employees built a new falcon box and moved it to a new location at the plant, which the falcons began using for nesting in 2019.

MGE has seen 49 falcons hatch at Blount, including the 2021 chicks. Falcon expert Greg Septon visits Blount every spring for our naming ceremony during which the chicks also are banded for tracking throughout their lifetimes. For more information on MGE's falcons, visit [mge.com/falcons](http://mge.com/falcons).

MGE is proud to support the ongoing recovery of these raptors through our nesting box and support from the MGE Foundation for Hoo's Woods Raptor Center, a local nonprofit dedicated to the rehabilitation of birds of prey and the preservation of their ecosystems.



*With the emphasis on staying close to home during the COVID-19 pandemic, the 2021 chicks' names reflect the neighborhood our falcons call home. Willy is named for Williamson Street. Our falcons keep watch over Willy Street as their nesting box faces the well-known thoroughfare. Jenifer is named in honor of Jenifer Street, which runs parallel to Williamson Street. Brearly is named for Brearly Street, which runs between Lake Monona and Lake Mendota on the Isthmus near downtown Madison.*

## Falcon timeline

**1940s**

The use of the pesticide DDT begins during World War II.

**1960s**

The peregrine population continues to decline; there are no peregrines in the eastern U.S.

**1971**

Wisconsin bans the use of DDT.

**1972**

The Environmental Protection Agency bans the use of DDT.

**1973**

The American peregrine falcon is listed as endangered under the Endangered Species Act.

**1999**

MGE installs its falcon nesting box at Blount Generating Station.

The peregrine falcon is declassified as a federally endangered species.

**2009**

A pair of falcons begin using MGE's nesting box, hatching three chicks named Steve, Genny and Cole.

**2021**

Three falcon chicks hatch in MGE's nesting box, bringing the total to 49 chicks since 2009.



# Governance and Oversight

## Highlights

- The Board of Directors holds 10 regularly scheduled full board meetings each year, typically at the company headquarters in Madison, Wis.
- Seven out of the board's nine directors are independent. All members of the Corporate Governance Committee, Audit Committee and Compensation Committee are considered independent.
- The Lead Independent Director is empowered to call meetings of the board and executive sessions and chairs the Corporate Governance Committee.
- The Corporate Governance Committee conducts an annual assessment of the board's effectiveness as a whole.
- The company has a "clawback policy," which covers both cash-based and/or stock-based awards containing performance requirements.
- Bylaws include a director resignation policy for directors who do not receive a majority "for" vote in uncontested elections.
- The board engages in a comprehensive risk assessment and mitigation review biannually, and on a biennial basis, the board conducts a broad-based exercise with all company officers on risk.
- MGE does not use corporate funds for contributions to any state or federal political candidates or their campaign committees.

**Our Board of Directors has a commitment to corporate responsibility and accountability. Community-focused and with a breadth and diversity of experience, board members bring strong, effective oversight in their service to MGE and MGE Energy.**

## Board engagement

Our board is very active and engaged with 10 regularly scheduled meetings of the full board each year, in addition to committee meetings. These meetings help directors stay well-informed of industry and company developments.

Board meetings are structured to provide for regular presentations and active dialogue with MGE management. Internal and external subject matter experts present to the board on issues of strategic importance to inform board members' decision-making and oversight.

In the past year, the board engaged internal and/or external subject matter experts on a wide range of topics. Included among the topics discussed by the board are the following:

- » Analysis of MGE's net-zero carbon goal by experts at the University of Wisconsin-Madison
- » Planned retirement of the Columbia Energy Center and future energy and capacity needs
- » COVID-19 pandemic and related impacts
- » Cybersecurity
- » Environmental, social and governance (ESG) reporting and disclosures
- » Generation strategy and planning
- » Utility rates
- » Matters of social justice and of diversity, equity and inclusion
- » Issues of human rights and labor abroad in energy and related industries
- » Federal regulation and legislative matters affecting energy

## Strategic planning

In fall 2020, the board held a strategic planning and review session with all officers of the company. These periodic sessions with all officers are designed to review corporate

strategy across all aspects of the company's business and to provide directors with the opportunity to engage the entire senior management team on issues of strategic importance, such as generation strategy and planning.

## Effective oversight

Directors understand corporate responsibility and sustainability are integral to the company's long-term success and share management's commitments in these areas, from long-term and strategic direction to day-to-day business practices companywide. Each director is expected to examine all major issues affecting an organization and must be committed to the highest ethical standards, accountability, transparency and open dialogue with one another and with management to provide effective oversight.

The board has four standing committees. All members of the Corporate Governance Committee, Audit Committee and Compensation Committee are considered independent.

The Executive Committee acts in lieu of the full board and between meetings of the board. The Executive Committee has the powers of the board in the management of the business and affairs, except action with respect to dividends to shareholders, election of principal officers or the filling of vacancies on the board or committees created by the board. Since the board meets 10 times a year, the Executive Committee has not needed to meet or to take action.

## Oversight of ESG matters

Board oversight includes review of environmental risks and mitigation as well as assessment of current and/or future environmental regulations. It also includes review of the company's environmental and sustainability performance. MGE's employee-led Sustainability Steering Team serves to help ensure the company takes a global and proactive approach to sustainability throughout the organization. The Sustainability Steering Team is overseen by MGE's Executive Sustainability Team, which has officer representation from across MGE and which keeps the board of directors informed of the company's progress. More information about the structure and purpose of the Sustainability Steering Team is available in the Employees, Customers and Communities section of this report.

In 2018, MGE moved from biennial to annual production of our Environmental and Sustainability Report, which in 2020 became the company's Corporate Responsibility and Sustainability Report to reflect more accurately the range of content provided in the report. This report is reviewed by the board every year.

## Our Board

The Board of Directors has four standing committees. All members of the Corporate Governance Committee, Audit Committee and Compensation Committee are considered independent.

### Corporate Governance Committee

Responsible for taking a leadership role in shaping corporate governance policies and practices and in officer and director succession planning; reviews and makes recommendations on board and committee organization, membership, function, and effectiveness, including reviewing and nominating board candidates.

### Audit Committee

Oversees the board's relationship with the company's internal auditors and independent registered public accounting firm and discusses with them the scope and results of their audits, accounting practices and the adequacy of the company's internal controls. The Audit Committee also reviews all "related party transactions" for potential conflict of interest situations.

### Compensation Committee

Reviews the salaries, fees and other benefits of officers and directors and recommends compensation adjustments to the board. In consultation with its compensation consultant and the other independent directors on the board, the committee determines the amounts and elements of compensation for the company's executive officers and provides overall guidance for the company's executive compensation policies and programs.

### Executive Committee

Acts in lieu of the full board and between meetings of the board; has the powers of the board in the management of company business and affairs, except action with respect to dividends to shareholders, election of principal officers or the filling of vacancies on the board or committees created by the board.

In 2018, MGE also began publishing the Edison Electric Institute's (EEI) voluntary and industry-specific environmental, social, governance/sustainability reporting quantitative template. The quantitative template includes data related to MGE's energy portfolio (generation and capacity), emissions, capital expenditures, and human and natural resources.

EEI's qualitative template includes information related to the company's strategies for transitioning toward deep decarbonization and greater sustainability. Board members also review annually these reporting templates, which are created to advance transparency and disclosure in company operations.

## Oversight of executive compensation

MGE Energy's Board of Directors' Compensation Committee, composed of independent directors, takes into consideration performance on both short- and long-term corporate strategy, among other factors, when evaluating executive compensation. Directors consider environmental performance, among other factors, such as cost containment and management of day-to-day operations.

The committee also considers other performance goals that are critical to company performance, such as earnings, system reliability and customer satisfaction as well as long-term strategic goals, including those related to sustainability. The

board regularly reviews how well the company is advancing its goals for carbon emissions reductions as well as progress on its specific strategies for deep decarbonization.

Our compensation program is designed to link a significant portion of the compensation of our named executive officers to defined performance standards that promote a balance of the drive for near-term earnings and returns with growth in long-term shareholder value. The board believes that directors and officers should own and hold the company's common stock and have a portion of their compensation based upon the performance of that common stock to align further with the long-term interests of shareholders. The company's guidelines measure that alignment through a combination of minimum stock ownership and long-term compensation awards that are directly tied to the performance of MGE Energy stock.

MGE Energy's annual Proxy Statement provides a full explanation of the company's corporate governance practices and responsibilities. It is available at [mgeenergy.com/proxy](https://www.mgeenergy.com/proxy).

### State and federal oversight

As a public utility, MGE operates under state and federal regulations. These regulations serve to protect the interests of customers, employees, investors and the environment. MGE is subject to regulation by the Public Service Commission of Wisconsin, which has authority to regulate most aspects of MGE's business, including rates, terms and conditions of service, accounts, issuance of securities and construction of infrastructure, such as generation siting.

The Federal Energy Regulatory Commission has jurisdiction, under the Federal Power Act, over certain accounting practices and certain other aspects of MGE's business. MGE Energy's subsidiaries also are subject to regulation under local, state and federal laws regarding air and water quality and solid waste disposal.

### Risk management

Enterprise-wide risk assessment and oversight are fundamental responsibilities of our board. Directors are involved in the process of overseeing the primary risks facing the company.

As part of the company's Enterprise Risk Management program, our board receives on an ongoing basis information from management related to key business risks and mitigation strategies. These business risks include existing and emerging risks related to environmental performance and sustainability, among other risks.

The company's Internal Audit department, on behalf of MGE management and the Board of Directors' Audit Committee, conducts an annual Enterprise Risk Management meeting with each officer of the company. The sessions with individual company officers and management update existing areas of risk, classify new or emerging areas of risk and identify owners responsible for assessing, managing and/or mitigating areas of risk.

In addition, the board engages in a comprehensive risk assessment and mitigation review biannually. And, on a biennial basis, the board conducts a broad-based exercise with all company officers on risk and emerging risk identification, assessment and mitigation strategies. This review last occurred in fall 2021.

The company's comprehensive approach to risk management encourages all directors to initiate discussion at any time, either directly or through the Lead Independent Director, on any areas of concern, including risk identification and assessment, controls, management and oversight. The board and MGE management have created a culture of sustainability, responsibility and risk management. All officers of the company take ownership in and are accountable for managing and mitigating corporate risk.

### Environmental Management System

In 2017, MGE expanded the scope of its renewed five-year contract with the Wisconsin Department of Natural Resources for its Green Tier certification, which recognizes environmental leadership. The primary goal in the expanded contract is to cover all MGE operations under the company's Environmental Management System (EMS).

MGE has employed an independent third party to oversee the expansion of the EMS. The independent third-party's expertise in risk management and compliance is helping MGE to identify operational and environmental risks and to evaluate those risks under the scope of the expanded EMS. The EMS has a risk profile or scoring convention to evaluate risks consistent with how the company assesses risk throughout the organization. The EMS process helps to ensure effective identification, assessment and management of risk at all levels of the organization. MGE's commitment to the EMS process, which is audited annually by a third party, further demonstrates the company's commitment to goal-setting and to environmental accountability in corporate governance. More information on the EMS is available under "Comprehensive risk minimization" in the Safety and Operations section.

### Ongoing board education

The board's regular interactions with internal and external subject matter experts provide useful information and insight relative to critical business initiatives and corporate strategy. These interactions inform the board's understanding of the company's financial performance, environmental performance, risk management and oversight, and succession planning.

Board members also have direct access to a network of resources and ongoing educational opportunities that support their ability to provide effective oversight and governance on a broad range of critical issues. This direct access includes director training and resources from:

- » The National Association of Corporate Directors, an organization dedicated to advancing broad-based director education, including on governance and emerging issues;
- » PricewaterhouseCoopers (PwC), which offers events and resources for directors to stay current on environmental, social and governance (ESG) topics, risk, and other board responsibilities; and
- » The Edison Electric Institute (EEI) and the American Gas Association (AGA), which also offer ESG-related topics specific to the energy industry.

### Board assessment

The board conducts an annual board self-assessment, which includes an extensive survey covering board structure, meetings, committees, key responsibilities, and board management. In addition, the board periodically evaluates directors' expertise and experience. A peer evaluation occurs before nominating slates of directors for election and as part of succession planning to consider and to choose new directors.

### Climate change and environmental expertise

The board has engaged and plans to continue to engage widely recognized scientific experts on topics related to climate change. This is in addition to the board's and company management's regular engagement on emerging environmental risks and risk mitigation from internal subject matter experts. MGE management brings considerable environmental expertise as well as expertise in environmental law to the company.

### Partnership with the UW-Madison

In 2019, MGE management began working with experts from the UW-Madison's Nelson Institute for Environmental Studies to evaluate the company's net-zero carbon by 2050 goal in the context of the October 2018 special report on global warming of 1.5 degrees Celsius by the Intergovernmental

Panel on Climate Change. In early 2020 and 2021, the board discussed the work of these experts to evaluate the company's goal and strategies for achieving deep decarbonization by mid-century. See the Strategy and Climate section of this report for details of this independent analysis.

MGE continues to work with these experts at the UW on further study of deep decarbonization strategies. This continued partnership includes the analysis of health benefits resulting from air quality improvements related to local energy system changes, including changes to transportation systems.

### Board independence

The board makes an annual assessment of the independence of directors under the independence guidelines adopted by Nasdaq Stock Market, Inc. Those guidelines are generally aimed at determining whether a director has a relationship which, in the opinion of the MGE Energy board, would interfere with the exercise of independent judgment in carrying out director responsibilities. The guidelines identify certain relationships that are considered to affect independence, such as a current or past employment relationship with the company, the receipt by the director or one of his or her family members of compensation in excess of \$120,000 from the company for other than board or board committee service and commercial relationships exceeding specified dollar thresholds. These guidelines also are reflected in MGE Energy's Corporate Governance Guidelines, which are available at [mgeenergy.com/governance](https://www.mgeenergy.com/governance).

The board has determined that seven of the nine directors are independent under the Nasdaq Stock Market, Inc., definition of independence and the company's Directors Independence Standards, which parallel the Nasdaq Stock Market, Inc., definition. All members of the Corporate Governance Committee, Audit Committee and Compensation Committee are considered independent.

More information about the board is available in the company's annual Proxy Statement at [mgeenergy.com/proxy](https://www.mgeenergy.com/proxy).

### Code of Ethics

The board has a Code of Ethics applicable to all directors, officers and employees of the company. The company's Code of Ethics includes conflict of interest; confidential and insider information; gifts, gratuities and favors; proper accounting and reporting; outside employment; government relations; political contributions and political office; company property; and reporting illegal or unethical behavior. To review the company's Code of Ethics, visit [mgeenergy.com/governance](https://www.mgeenergy.com/governance).



## Political engagement and lobbying

MGE advocates on behalf of our customers, shareholders and employees at the local, state and federal levels of government for policies that support safe, reliable, affordable and sustainable energy. We comply with the MGE Code of Ethics as well as all political giving, lobbying, regulatory and disclosure laws in these processes.

### Political contributions

State and federal laws prohibit the company from making direct or indirect contributions of corporate funds or resources to any candidate running for political office in the United States or state of Wisconsin. As such, MGE does not use corporate funds for contributions to any state or federal political candidates or their campaign committees.

Though state and federal law allows it, MGE does not have a state or federal political action committee (PAC).

Wisconsin law does allow businesses to facilitate political contributions by their employees via a “conduit” account. MGE administers an MGE Employee Conduit for employees who prefer to use this mechanism for their contributions. All funds contributed through this conduit are made and controlled by individual employees and not by MGE. That is, all contribution decisions are made by the individual employee.

### Political office

MGE permits and encourages employees to participate in the democratic process, including running for public office and other related activities provided those activities do not interfere with their work performance or duties, consistent with our Code of Ethics.

Employees also may make contributions to a variety of political candidates and/or PACs, apart from the MGE Employee Conduit. MGE does not, and should not, track all political contributions made by its employees.

### Lobbying

As your community energy company, we advocate for our customers, shareholders and employees by building and maintaining relationships with policymakers; by working collaboratively with internal and external stakeholders to identify and address matters that impact our industry, goals and corporate strategies; and by building coalitions with stakeholders, trade associations, employees, customer groups, utility associations and others to pursue and achieve common goals.

MGE employs registered lobbyists and utilizes external lobbyists to engage policymakers at the local, state and federal levels to monitor legislation and policy proposals and to advocate for positions that are in the best interest of our employees, customers and shareholders. Reports of our lobbying activities (MGE Energy and/or MGE) can be found at the federal, state and local levels.

Wisconsin lobbying reports can be found at the Wisconsin Ethics Commission, [lobbying.wi.gov](http://lobbying.wi.gov). MGE typically does not incur lobbying expenses at the federal or local level that would trigger a lobbying report; however, if it does, those expenses can be found at [lda.senate.gov](http://lda.senate.gov) and [lobbyingdisclosure.house.gov](http://lobbyingdisclosure.house.gov) and at [cityofmadison.com/clerk/lobbyists](http://cityofmadison.com/clerk/lobbyists), respectively.

### Trade organizations

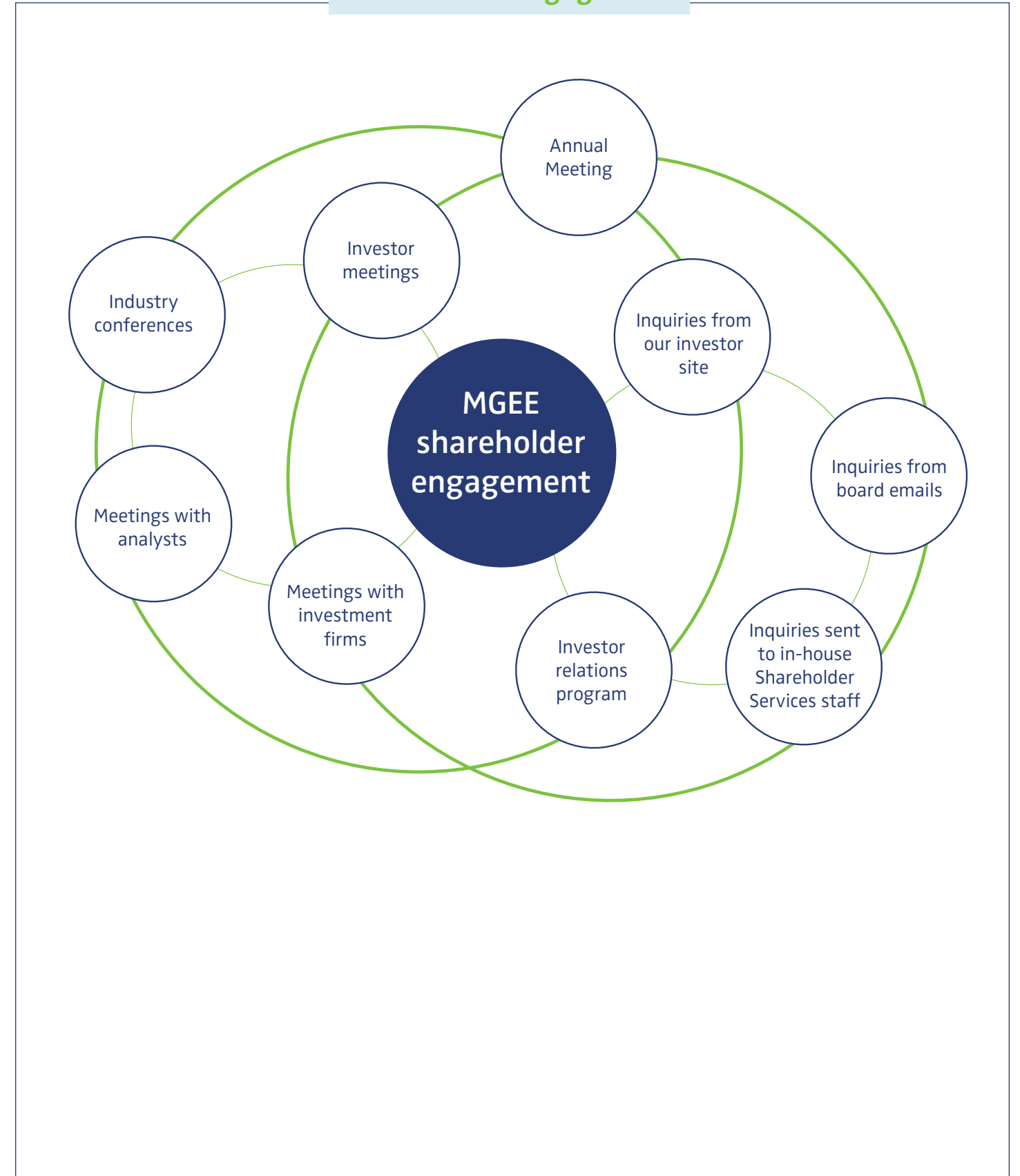
MGE belongs to a number of trade organizations and coalitions that provide expertise, training and research concerning important industry topics. Some trade associations also participate in the political process, including participating in lobbying. MGE does not control the political activity of its member trade associations, and in fact, may sometimes disagree with political positions taken by them. Trade associations must identify the portion of association dues used for lobbying and political activities to comply with tax rules.

## Shareholder engagement

Our board believes that understanding and considering shareholder perspectives advances accountability and transparency. Our investor relations efforts also help executive management and the board understand how investors view the company’s policies and practices, strategies and long-term direction, and help leadership assess and address investors’ emerging areas of interest, such as ESG-related topics.

Officers engage shareholders in several ways, including through discussions with a number of our institutional shareholders; presentations at industry conferences and investor meetings; meetings with analysts and investment firms; our Annual Meeting; and inquiries taken through the company’s investor site, board email and in-house Shareholder Services staff. These efforts are in addition to the company’s regular and ongoing investor relations program.

## Shareholder engagement



## About this report

MGE's 2021 Corporate Responsibility and Sustainability Report has been prepared to share matters of performance and of interest to stakeholders. This report includes forward-looking statements and estimates of future performance that may differ from actual results because of uncertainties and risks encountered in day-to-day business. For additional information, news and updates, and the company's EEI ESG/sustainability reporting templates, visit [mgeenergy.com/environment](https://mgeenergy.com/environment).

As part of our commitment to transparency and disclosure, we have reviewed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), performed an analysis of our disclosures relative to the TCFD recommendations and determined that our companywide disclosures are consistent with and responsive to the TCFD guidance and recommendations. Our Corporate Responsibility and Sustainability Report is organized to be consistent with the disclosure framework identified by the TCFD.

We also continually monitor and review the reports of and/or engage with a number of third-party ESG analytics and ratings firms to help inform our reporting to make available and accessible information relevant to our company operations and our industry. We are committed to helping customers, investors and other stakeholders better understand our strategies, risks, challenges and opportunities as we transition to a more sustainable future.

Additional disclosures can be found in our 10-K and 10-Q, Proxy Statement and filings with the Public Service Commission of Wisconsin.



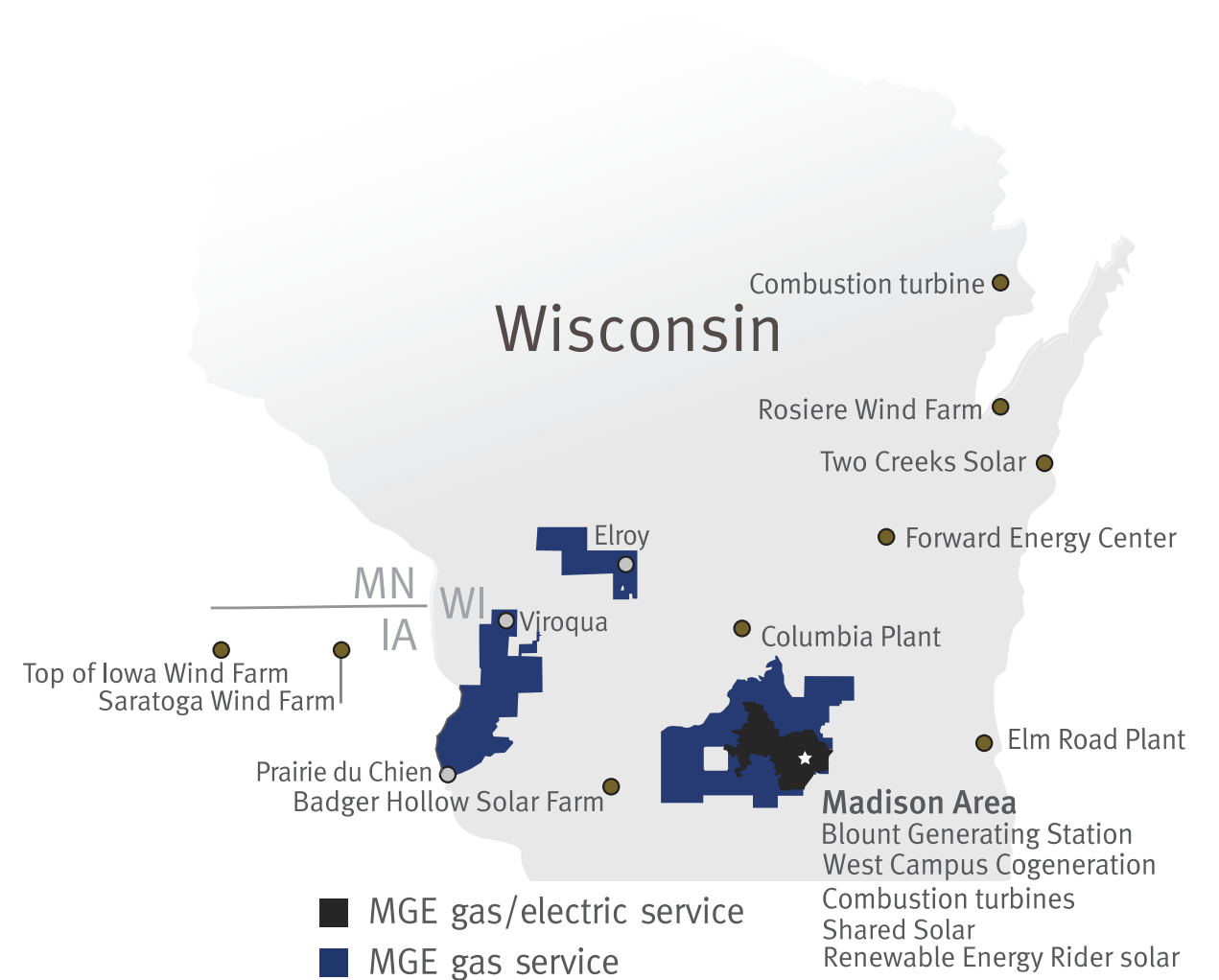
## About MGE

MGE generates and distributes electricity to 157,000 customers in Dane County, Wis., and purchases and distributes natural gas to 166,000 customers in seven south-central and western Wisconsin counties. MGE is a regulated utility subsidiary of the investor-owned public utility holding company MGE Energy, Inc. MGE's roots in the Madison area date back more than 150 years.

As your community energy company, we are committed to this area and its people.

We take responsibility to:

- » Plan and provide a reliable energy supply that balances the needs and values of those we serve.
- » Provide information and education to serve our customers and stakeholders and help inform their energy decisions.
- » Preserve and protect our environment while providing affordable, reliable energy.
- » Encourage and support economic and business development to keep our economy strong and vibrant.
- » Engage in open and honest dialogue, partnership and collaboration to best serve our customers and the broader community.



# Corporate Responsibility

and

# Sustainability Report



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Be sure to connect with MGE on social media.

MGE is committed to environmental stewardship. This report is printed on recycled paper.