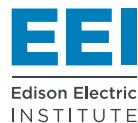




Madison Gas and Electric Your Community Energy Company



Madison Gas and Electric (MGE) generates and distributes electricity to 153,000 customers in Dane County and purchases and distributes natural gas to 161,000 customers in seven south-central and western Wisconsin counties. MGE is a subsidiary of MGE Energy (Nasdaq: MGEE), an investor-owned public utility holding company based in Madison, Wis. MGE's roots in the Madison area date back more than 150 years.



*Madison Gas and Electric's 2019 EEI
ESG/sustainability qualitative template*

OUR SUSTAINABILITY STRATEGY

MGE is working toward a more sustainable future for the benefit of all our customers, employees, investors and broader community. Our pursuit of cost-effective clean energy, combined with efforts to advance the electrification of transportation and energy efficiency, will help us meet, or even exceed, our sustainability goals. MGE is committed to working with our customers to meet our obligations while transitioning to a cleaner, smarter energy future as quickly as technology allows.

TARGETING NET-ZERO CARBON ELECTRICITY BY 2050

OUR STRATEGIES

The U.S. Mid-Century Strategy (MCS) for Deep Decarbonization, published in 2016, is the United States' strategy for meeting the goals of the Paris Agreement on climate change to limit global warming. Both the Intergovernmental Panel on Climate Change (IPCC) and the MCS rely on:

- Decarbonizing electric generation.
- Using energy efficiently.
- Electrifying other energy uses, including transportation.

These are the strategies MGE is pursuing and will continue to pursue to achieve deep decarbonization. Our carbon reduction goals signal our direction but do not determine our actions today as we are working as aggressively as we can toward our goals. We also have committed to achieving at least 30% renewable energy by 2030 and to reducing carbon at least 40% by 2030 (from 2005 levels). We have said since establishing our carbon reduction targets that if we can go further faster by working together with our customers, we will.

Net-Zero

CARBON ELECTRICITY BY 2050






Our Net-Zero goal is based on the latest climate science and reflects our commitment to advancing long-term sustainability for our business and those we serve. MGE shares the urgency of those who want to transition to cleaner energy.

Achieving net-zero carbon electricity by 2050 will require new technologies not yet commercially available or cost-effective. It also will require support for and participation in our programs by our customers as well as supportive public policy.

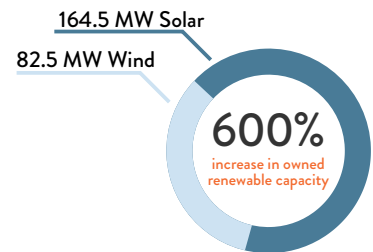
INDEPENDENT ASSESSMENT OF OUR GOAL AND OUR STRATEGIES

MGE is working with scientists and experts at the University of Wisconsin-Madison's Nelson Institute for Environmental Studies and the Department of Atmospheric and Oceanic Sciences to help evaluate the company's net-zero carbon goal in the context of the analyses done by the IPCC. The university is providing expert input and perspective to ensure MGE's goal is consistent with the IPCC assessment. This assessment will provide useful information to executive management and the Board of Directors in informing the company's strategic business planning.

OUR RECENT PROJECTS

- 
2017
Shared Solar
 Middleton Operations Center
- 
2018
Forward Energy Center Wind Farm
 Dodge and Fond du Lac counties
- 
2019
Saratoga Wind Farm
 Howard County, Iowa
- 
2020
Morey Field Solar
 Middleton Municipal Airport
Two Creeks Solar
 Manitowoc County
Badger Hollow Solar Farm I
 Iowa County
Dane County Airport Solar
 Madison
- 
2021
***Badger Hollow Solar Farm II**
 Iowa County

* Proposal for 50 MW is pending with state regulators.



OUR INVESTMENTS TO REACH OUR GOALS

Since 2015, MGE has developed more than \$350 million in clean energy projects that will increase our owned renewable capacity by roughly 600%. Under our Energy 2030 framework, we set an interim goal of supplying 25% of retail electric sales with renewable energy by 2025. The company's investments in cost-effective renewable energy projects will help us reach our 25% renewable energy goal by year-end 2021, well ahead of schedule. We are continuing down a path to achieve a more sustainable energy supply mix using the best, most cost-effective technologies to provide customer and shareholder value.

OUR TRANSITION FROM FOSSIL FUELS

MGE has no controlling interest in coal-fired power plants. Several years ago, we also announced we would not invest in additional coal-fired resources.

In 2016, MGE reduced its minority ownership in the Columbia Energy Center, dropping our megawatt capacity share by about 14%. In 2018, we also took steps to accelerate depreciation of certain assets, including our combustion turbines, Blount Generating Station and Columbia Energy Center Unit 1. The accelerated depreciation schedule for some of our fossil fuel-fired assets helps the company move forward plans for additional investment in cost-effective, clean energy.

When making generation decisions, MGE's economic analysis explicitly includes a possible projected carbon surcharge to help ensure our decisions are financially sound—regardless of whether or how carbon is regulated in the future.

OUR ENERGY 2030 FRAMEWORK

Our Energy 2030 framework, introduced in November 2015, guides our direction for building your community energy company for the future. It lays out the company's foundational objectives for working with customers to achieve our business and sustainability goals. Our objectives include to:

- Provide customers with options they want today and in the future.
- Help customers use energy efficiently and control future costs for all customers.
- Transition MGE to a more environmentally sustainable energy supply.
- Provide a dynamic electric grid that can integrate energy technologies to serve customers.
- Ensure that new and changing technology serves all customers equitably.

ENERGY EFFICIENCY

- Our On Demand Savings program for large energy users was recognized in 2018 with an Inspiring Efficiency Award for Innovation by the Midwest Energy Efficiency Alliance.
- Our smart thermostat demand response program, MGE Connect™, tests the remote management of residential AC units to reduce peak and overall energy use.
- In 2018, more than 10% of MGE customers took advantage of more than \$5 million worth of rebates and incentives from Focus on Energy®, Wisconsin's statewide energy efficiency and renewable resource program funded by Wisconsin utilities.



ELECTRIFICATION OF TRANSPORTATION

- MGE is partnering with the City of Madison to help electrify the City's Metro Transit bus fleet by 2030. MGE worked with the City to secure a \$1.3 million federal grant for the City's first three all-electric buses.
- Our public charging network of more than 35 stations, fueled by wind energy, continues to expand.
- MGE works with residential customers to offer our Charge@Home electric vehicle home charging program as well as with employers and multifamily developers to grow charging opportunities.
- MGE also is partnering with Lyft, the ridesharing company, to grow awareness of the benefits of electric vehicles.



ELECTRIC RELIABILITY

MGE is a national leader in electric reliability. For 2018, MGE's electric service reliability ranked number one in the country for the fewest number of electric outages and ranked second for the shortest duration of outages



per customer, according to a nationwide industry survey including more than 80 electric utilities. MGE has ranked number one nationwide for the fewest outages four of the last six years.

A MODERN GRID FOR THE UTILITY OF THE FUTURE

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 will continue to work to ensure that these new resources and technologies are harnessed for the benefit of all customers.

NATURAL GAS

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 natural gas companies works together to voluntarily reduce methane emissions across the natural gas supply chain. Using uniform, EPA-approved reporting protocols, ONE Future Coalition registered a methane intensity number of 0.552% in 2017, well ahead of its goal to reach 1% by 2025.

TC Energy also is a founding partner in the EPA's Natural Gas STAR 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.

GOVERNANCE AND OVERSIGHT

Environmental accountability is a core focus throughout our company. Strong oversight by our 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 in our proactive approach to companywide sustainability as well as risk assessment and mitigation.

OUR BOARD

Our Board of Directors is active and engaged with 10 regularly scheduled meetings annually, in addition to committee meetings. Meetings are held at our corporate office in Madison, Wis. In 2018, every director attended all the meetings of the board.

Board meetings are structured to provide for regular presentations by, and active dialogue with, MGE management. Subject matter experts from across the company regularly present to the board on issues of strategic importance, providing information and insight relative to critical business initiatives and corporate strategy, including financial performance, environmental performance, risk management and oversight, and corporate succession planning. In addition, the board takes advantage of external expertise as needed on key strategic topics.

Directors understand sustainability is 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 throughout the organization.

RISK ASSESSMENT AND OVERSIGHT

Enterprise-wide risk assessment and oversight are fundamental responsibilities of our board. Trends in economic, business and commodity market conditions and trends in legislative and regulatory initiatives are reviewed by the board as part of the company's Enterprise Risk Management program. The board receives on an ongoing basis information from management related to key business risks and mitigation strategies.

Our board engages in a comprehensive risk assessment and mitigation review biannually. Our comprehensive approach encourages all our directors to initiate discussion at any time, either directly or through our Lead Independent Director, on any areas of concern.

On a biennial basis, the board engages in a broad-based exercise with all company officers on risk and emerging risk identification, assessment and mitigation strategies. All officers of the company take ownership in and are accountable for managing and mitigating corporate risk.

CYBERSECURITY

MGE recognizes the potential impact of cyber threats to our company and the utility industry. We are committed to protecting our computers, networks and data from unauthorized access to ensure safe, reliable service for customers. This requires ongoing effort and oversight by both management and our board of directors. As indicated above, our board receives on an ongoing basis information from management related to key business risks and mitigation strategies, which include information technology systems and cybersecurity, operational risks, reliability risks and other risks.

We also continue to update our response plans to proactively reduce risks. Simulating a cyberattack is an effective way to help prepare for and safeguard against such an incident. In recent years, MGE has participated in both national and statewide cybersecurity exercises.

In 2018, MGE built a state-of-the-art Cyber Range training facility on its campus. The range allows MGE and its partners to practice cybersecurity methods and build experience within our Security Operations teams. The range was used in 2018 during an advanced cybersecurity and emergency response exercise known as Dark Sky. The statewide exercise involved the Wisconsin Army National Guard and other partners. MGE and the Wisconsin Army National Guard continue their ongoing collaboration around cybersecurity.

THIRD-PARTY BENCHMARKING

MGE is committed to reducing our environmental impacts across all areas of the organization. The company voluntarily participates in two statewide environmental performance programs. MGE has achieved the highest designations from both programs. In 2018, MGE:

- Earned the Green Master designation for the fifth consecutive year from the Wisconsin Sustainable Business Council. The voluntary statewide benchmarking program evaluates participants in nine key areas related to sustainability. Only the top 20 percent of applying companies receive the Green Master designation. MGE was the first utility to be awarded the distinction in 2014.



- Continued efforts to expand the scope of its renewed five-year contract with the Wisconsin Department of Natural Resources for its Green Tier certification. 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 was the first electric utility to take part in the pilot program and remains the only electric utility to be certified at the highest level of Green Tier.



EMPLOYEES AND SUSTAINABLE PRACTICES

Sustainability Initiatives: Our employee-led Sustainability Steering Team reviews, evaluates and prioritizes continuous improvement opportunities for day-to-day operations companywide. The group is responsible for commissioning continuous improvement teams to take on specific improvement initiatives and tasks.

Safety Initiatives: In 2014, MGE launched a corporate safety commitment to improve our safety culture. Our Safety Steering Team meets regularly to examine safety topics and to identify and prioritize continuous improvement opportunities.

Four years into our safety journey, MGE achieved historic safety results in 2018, recording the:

- Lowest lost-time incident rate since we started keeping records in 1971.
- Lowest total recordable incident rate since 1982.
- Second-lowest recordable incident rate since we started keeping records in 1971.

In 2018, MGE employees worked more than **ONE MILLION HOURS** without a lost-time incident.

Our employees take the lead through their continuous improvement efforts to make MGE a safer place to work. One of our employee-led Continuous Improvement Teams was tasked with developing a safety vision statement.

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



ANNUAL GIVING TO OUR COMMUNITY

As your community energy company, we are committed to improving the quality of life for those we serve. We contribute to and help to better our community in three different ways:

- Charitable giving by the MGE Foundation.
- Corporate giving by MGE through partnerships, collaborations and projects with local organizations and stakeholders.
- Volunteerism and service of our valued employees.

Established in 1967, the MGE Foundation is our philanthropic arm. Throughout the last five years, the Foundation has given more than \$5.2 million to more than 400 community organizations. In 2018 alone, the Foundation contributed to more than 175 local organizations. This charitable giving includes support for local organizations dedicated to environmental initiatives. Visit mge.com/foundation to read our Annual Report on Giving.



MGE also is a longtime supporter of the United Way of Dane County. MGE consistently ranks among the top 10 companies in total donations to the United Way. In 2018, our generous employees and retirees gave more than \$163,000 to the Dane County campaign. We were recognized for our 2018 campaign efforts with a United Way Community Impact Award.



TRANSPARENCY AND DISCLOSURE

Please visit us online at mgeenergy.com/environment to read our annual Environmental and Sustainability Report, which has more information about our projects, programs and related initiatives.

As part of our commitment to transparency and disclosure, we also have reviewed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), performed an analysis of its disclosures relative to the TCFD recommendations and determined that our companywide disclosures are consistent with and responsive to the TCFD guidance and recommendations.

Our Environmental and Sustainability Report is organized to be consistent with the disclosure framework identified by the TCFD. 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, Environmental and Sustainability Report, and filings with the Public Service Commission of Wisconsin.

This template 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.