

Mission, Vision and Values

2020 Corporate Responsibility and Sustainability Report



Madison Gas and Electric

A message from 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 Safety, Sustainability and Environmental Affairs
Madison Gas and Electric

Our Environmental and Sustainability Policy

As your community energy company, 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.

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.

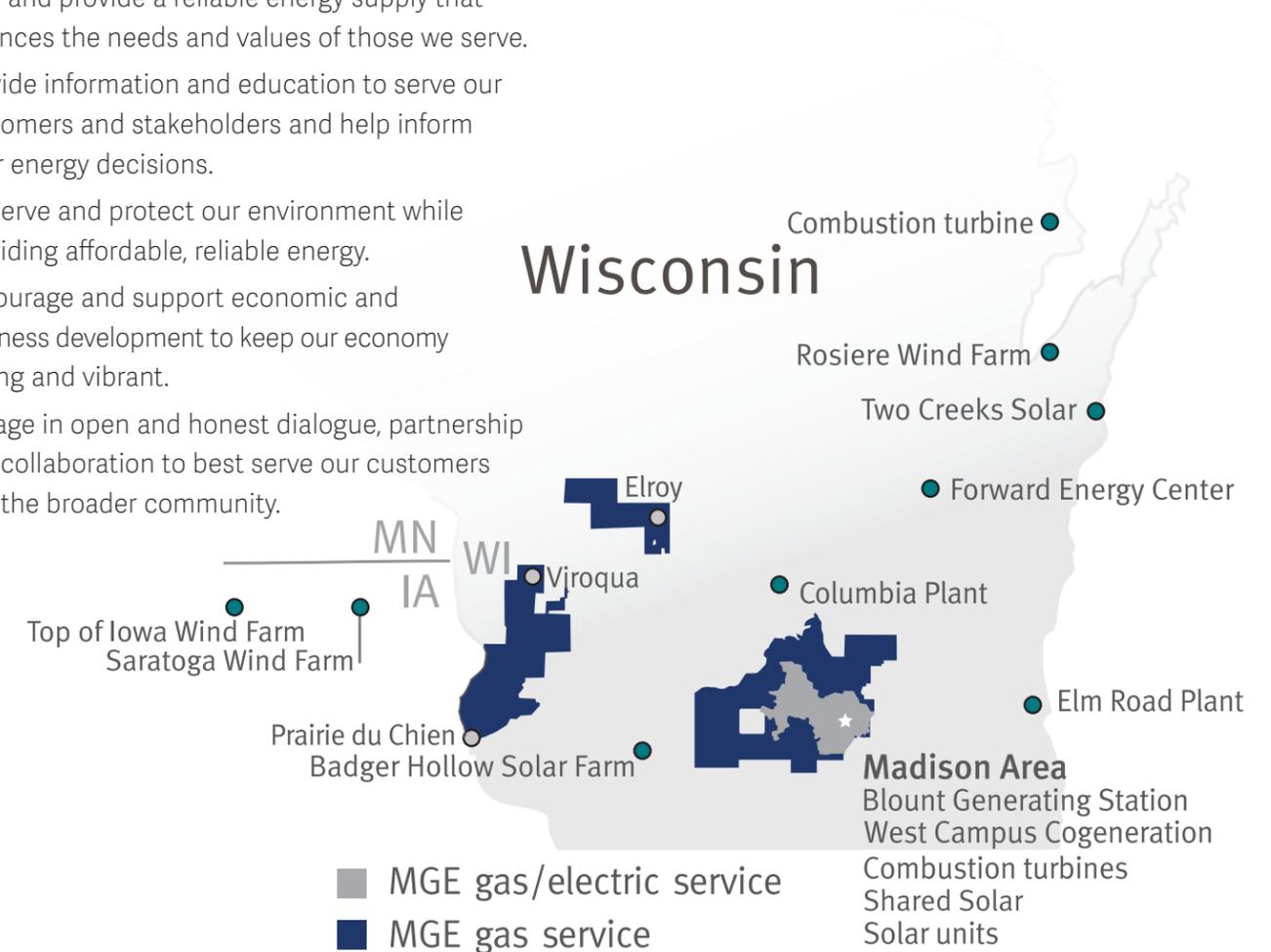
About MGE

MGE generates and distributes electricity to 155,000 customers in Dane County, Wis., and purchases and distributes natural gas to 163,000 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.



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.

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About the cover: The 5-megawatt Morey Field Solar array in Middleton, Wis., began serving MGE customers in August 2020.

Strategy and Sustainability Snapshot

MGE is targeting 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

We are 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. Consistent with the Paris Agreement on climate change, we committed in 2015 to reducing carbon at least 40% by 2030 (from 2005 levels). 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 the latest climate science, we expect to achieve carbon reductions of 65% by 2030.

MGE continues to pursue globally recognized strategies to achieve our ambitious net-zero carbon goal. 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.

Our transition to net-zero carbon

MGE has no controlling interest in coal-fired power plants. In 2016, MGE reduced its minority ownership in the Columbia Energy Center, a coal-fired power plant, dropping our megawatt (MW) capacity share by about 14%.

Since introducing our Energy 2030 framework in November 2015, we have announced more than 250 MW in clean energy projects, which we expect will result in renewable capacity growth of about 650% by the end of 2022. MGE will have invested by the end of 2022 more than \$375 million in clean energy generation. These investments represent an increase of about 21% to the company's \$1.8 billion asset base in 2018 when the clean energy buildup began. Clean energy will dominate our strategy for achieving deep decarbonization by mid-century.

Our partnership with the UW-Madison's 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 energy use 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 to prevent the most severe impacts of climate change. 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.

Our commitment to ESG-related matters

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 in our proactive approach to corporate responsibility and companywide sustainability, risk assessment and mitigation, and long-term strategy.

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 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 our Edison Electric Institute (EEI) environmental, social and governance (ESG)/sustainability reporting templates and for an online version of our Corporate Responsibility and Sustainability Report, visit mgeenergy.com/environment.



Built in 1999, MGE's Rosiere Wind Farm was the largest wind farm east of the Mississippi River at the time.

Clean energy investment

250+ MW

in clean energy
in the last 5 years

**650%
increase**

in owned renewable
capacity by the end of 2022

more than
\$375M
in investment



Our Vision



On behalf of all of us at Madison Gas and Electric (MGE), thank you for your interest in our 2020 Corporate Responsibility and Sustainability Report. As a critical services provider and as your community energy company, MGE seeks to live its corporate values in how we do business and serve our customers. This report provides an overview of our work to fulfill our mission, improve our communities and reach our sustainability goals.

MGE has a special responsibility to provide safe, reliable, affordable and sustainable energy 24 hours a day, seven days a week. Our obligation to serve demands we prepare for the unexpected.

In 2020, MGE employees faced the unprecedented challenges of the COVID-19 pandemic. Our expert team in Safety, Sustainability and Environmental Affairs worked with our multifunctional Incident Command team to provide for the safety of our employees to ensure business continuity and reliable service for our customers who rely on us to meet the everyday needs of their families and their businesses.

Consistently top-ranked for electric reliability, MGE continues to work toward transitioning our energy supply mix to a greater use of renewable resources while maintaining our commitment to dependable power. In May 2019, MGE committed to working with customers to achieve net-zero carbon electricity by 2050. By working with customers to decarbonize our

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

energy supply, advance energy efficiency and electrify transportation, we can meet our goal of net-zero carbon by 2050. If we can go further faster through the use of new technologies and partnerships with our customers and communities, we will.

MGE has been part of the communities we serve for more than 100 years. We strive to know our diverse communities and appreciate the privilege to serve our customers, many of whom were impacted by the pandemic. To help address the public health emergency, MGE continued to provide safe and reliable service and continued our long-standing commitment to work with customers who were experiencing hardship. Our MGE Foundation also contributed toward local relief efforts. And, in a new virtual environment, our marketing and community services teams expanded the ways in which MGE could connect and engage our customers safely.

Our service territory boasts a world-class university, state government, a thriving biotech industry and a growing entrepreneurial community, all of which rely on reliable energy to grow our local economy. But our mission goes beyond pipes and wires. Through our MGE Foundation, community involvement and investment in the future of our communities, MGE seeks to work with our community stakeholders to improve the quality of life for all who live and work in the areas we serve.

As our community grows and becomes more richly diverse, MGE is growing and changing to meet our responsibility to serve our customers equitably. In fulfilling our ongoing mission to serve, we continue to challenge ourselves to be even more inclusive and equitable in how we serve, partner and engage our communities. We're also committed to ensuring our transition to greater sustainability and new technologies benefits all customers. That's part of our responsibility and a foundational objective as we chart our path forward.

Thank you for reading and for joining us on this journey.

Our Commitment



As Vice President, General Counsel and Secretary, I provide oversight of our safety, sustainability and environmental affairs departments. Our annual Corporate Responsibility and Sustainability Report is another opportunity to reflect on our progress in these areas. This past year stands alone for both its opportunities and challenges.

The COVID-19 pandemic defined 2020 in many ways, from adjusting procedures in the field to maintaining office employees' well-being when many are working remotely. As Jeff Keebler described, we continue to address challenges related to the pandemic, equipping our field personnel with personal protective equipment (PPE) to continue to meet the critical needs of our community reliably. Safety of our employees and customers is always a top priority.

In 2019, we marked our lowest recordable incident rate and our second-lowest lost-time incident rate since we started keeping records in 1971. Our continuous improvement teams are employee-led, engaging our workforce each year to inform the teams' areas of focus and their goals for building upon achievements in our journey to safety excellence.

In November 2020, we released a report by the University of Wisconsin-Madison's Nelson Institute for Environmental Studies that evaluated our goal of net-zero carbon electricity by 2050. The independent analysis confirmed our goal is in line with or more

aggressive than pathways modeled by global climate scientists to limit global warming to 1.5 degrees Celsius. We continue to partner with the Nelson Institute on further research to advance our deep decarbonization strategies.

One of those key strategies is decarbonizing our electricity generation and growing our use of renewable energy. In 2020, we had four major solar projects totaling more than 150 megawatts under construction, including our Morey Field Solar array in Middleton, Wis., which came online in August 2020. The local project serves our innovative Shared Solar program and two major customers, the City of Middleton and the Middleton-Cross Plains Area School District, under our Renewable Energy Rider. These two programs reflect MGE's commitment to innovative solutions to meet our customers' diverse needs and sustainability goals.

As your community energy company, MGE partners with our customers, communities and local stakeholders to achieve our own clean energy goals and to make a positive impact through collaboration. Our projects, programs and community partnerships highlighted in this report illustrate who we are as a locally based energy company and who we strive to be in our service to our customers.

MGE also is committed to accountability and to transparency. More information related to environmental, social and governance (ESG) matters is available in the Edison Electric Institute (EEI) ESG/sustainability reporting templates at mgeenergy.com/environment. I encourage you to learn more and thank you for your interest and partnership in growing our sustainable practices.

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

COVID-19 Response



On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Since then, the coronavirus disease has had profound impacts on the global economy and the daily lives of millions of people, including many whom we serve and with whom we do business.

Within two weeks of the pandemic declaration, Wisconsin's governor issued a Safer at Home order, prohibiting nonessential travel and encouraging residents to stay home. Electric and gas utilities, however, were considered critical infrastructure and had an obligation to continue operations to ensure safe and reliable energy for our customers and communities, especially as many people sheltered at home.

As a utility, MGE prepares for the unexpected, proactively preparing and promptly activating our business continuity plans to provide for the safety and protection of our employees, customers and communities.

Continuing to provide safe and reliable service

Providing customers with safe and reliable energy is even more critical during a pandemic. Our Incident Command Structure (ICS), which is the basis for all responses under MGE's All Hazards Response Plan, was activated early in our COVID-19 response. The ICS coordinated the diverse aspects of our response to ensure measures were in place to minimize COVID-19 exposure by MGE employees. Physical access to MGE facilities was restricted to ensure business continuity, additional daily cleaning occurred at all MGE facilities and all employees who were able to work remotely were instructed to work from home.

While we have made adjustments to work routines and schedules throughout the pandemic, we have continued to perform the work required to fulfill our obligation to ensure the operation of our electric and natural gas systems and to maintain safe and reliable service to our customers.

Employee safety

MGE continues to follow Centers for Disease Control and Prevention (CDC) guidance and Wisconsin Department of Health Services (DHS) recommendations. To ensure the health and safety of our employees, prior to the governor's Safer at Home order, all employees who could work remotely were already working from home. Since certain job duties prevent some employees from working remotely, we have worked to ensure employee safety by:

- Following daily health screening guidelines.
- Providing personal protective equipment to field crews and other operations employees.
- Continuing to practice social distancing and adding multiple reporting sites to facilitate distancing of our operations employees.
- Helping employees understand when to wear face coverings.
- Restricting access to MGE facilities.
- Segmenting certain employees and using alternating schedules where appropriate.
- Encouraging virtual meetings.
- Performing extra cleaning and disinfecting of high-touch surfaces throughout our offices and reporting sites.

We also instituted safety guidelines for employees and contractors who might interact with customers in person and potentially enter customer homes while performing their job duties.

Ensuring reliability

While following the guidance of the governor's Safer at Home order, the Cybersecurity and Infrastructure Security Agency, the CDC and the Wisconsin DHS, MGE developed a framework to guide our decisions regarding the criticality of operations work to be completed and the manner in which it would occur, ensuring the health and safety of our employees, customers and the community. The work was split into three categories.

Work required to maintain MGE's system

MGE continued to perform work to fulfill our obligation to ensure the safe and reliable operation of our electric and natural gas systems and to meet all applicable rules and regulations to maintain safe and reliable service to our customers.

Work required to maintain other businesses and organizations

Crews also performed work to ensure customers identified by the governor's order were able to continue providing their critical services to the public. Examples of businesses identified under the order included but were not limited to: hospitals and medical facilities, long-term care and assisted living facilities, food production, distribution and fulfillment centers, airport operations, critical trades (plumbers, electricians, HVAC, etc.) and public transportation. We performed this work as long as it could be done safely.



Deferred work

This was work that we determined was not needed to be done at the time and could be deferred until a future date.

Supporting our community

Message to our customers

Whether it is the diverse populations in the Madison area or our rural communities, 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 during challenging times.

Within days of the governor's Safer at Home order, MGE Chairman, President and CEO Jeff Keebler sent an email message to our customers letting them know we would not be disconnecting them for nonpayment. This message was translated into Spanish and Hmong and posted on our corporate website, and a digital marketing campaign was created to connect with our customers during this time of crisis.

We used multiple channels including digital advertising, newsletters and social media to reach customers. An emergency resources page also was added to our corporate website to assist customers in identifying options and organizations for possible assistance.

Community stakeholders

MGE Residential and Community Services managers and commercial and multifamily account representatives also worked with customers and community partners to provide information and resources for saving energy and requesting economic relief. These communications were translated into Spanish and Hmong and shared by MGE representatives who partner with Latino and Hmong communities in our service territory.

"MGE has been building relationships with community organizations and individuals for decades. That trust within the community is really essential, especially during a time of crisis. Because we had these trusted relationships in the community, we could work together with our network of community resources to share a message with our customers that we were here to work with them and we had put together resources to help."

— Joann Kelley, Director, Residential and Community Services

Community connections

With many community events cancelled due to the pandemic, MGE's Residential and Community Services team continued to connect with our community partners through virtual meetings, newsletter articles and advertising, social media and with conversations. The team reached out proactively early in the pandemic, so our partners knew MGE was accessible and ready to share in the community's response to COVID-19.

As we responded to the pandemic, it also was important that we continued, through our strong partnerships, to reinforce with our community and our employees MGE's commitment to diversity, equity and inclusion. MGE teams provided support to local organizations assisting communities of color and limited-income customers to address pandemic-related challenges and matters of racial equity.

Customer support

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 other policies that were in place to help customers who were experiencing hardship, including:

- Continuing to work out deferred payment agreements with customers who request them.
- Not assessing late fees to customer accounts.
- Not requiring deposits from customer accounts seeking to reconnect services previously disconnected for nonpayment.
- Waiving credit card, debit card and retail payment processing fees.

MGE also heavily promoted scam awareness messages on digital and social media channels and proactively reached out to local media in an effort to stop scammers who were active during the pandemic. Video messages were translated into Spanish and Hmong and distributed on social media.

Charitable contributions

Our charitable arm, the MGE Foundation, contributed \$200,000 to the United Way of Dane County COVID-19 Emergency and Recovery Fund and other community partners, including the Latino Consortium for Action, a social services provider for Latinos in Dane County, and Energy Services, Inc., which provides energy-assistance services to limited-income households.



With contributions to the Dane County COVID-19 Emergency and Recovery Fund, organizations—including the United Way of Dane County—were able to distribute free face masks and gloves to community members. Photo courtesy of United Way of Dane County.

During the first phase of the pandemic, the United Way of Dane County reported a 400% increase in calls to its 211 line, which connects people with local programs and services 24 hours a day, seven days a week.

The Foundation also provided support to the City of Madison, the Madison Metropolitan School District and the United Way of Dane County for a Child Care Scholarship Fund to provide child care for limited-income families with elementary school children. MGE and the MGE Foundation are proud to support many organizations that provided increased services to community members during the pandemic, positively impacting thousands across our community in different ways.

Dane County COVID-19 Emergency and Recovery Fund impact

\$2 million raised

supporting more than

90 agencies 36 programs

The United Way of Dane County and the Boys & Girls Club of Dane County distributed grants from the fund to local organizations to help provide financial assistance and personal protective equipment to those in need.

At the beginning of the pandemic, personal protective equipment shortages impacted many essential businesses, including health care organizations in Madison. MGE employees worked to get needed supplies to local hospitals with donations of 500 N95 respirator masks, 150 Tyvek suits and 2,900 pairs of medical gloves.

Caring for our employees

The well-being of our employees is a top priority. The ICS Team has worked to ensure employees continue to get the care and resources needed from MGE during the pandemic.

All employees have continued to work and perform their job duties throughout our COVID-19 response, many remotely. No MGE employees were laid off or furloughed during our COVID-19 response. Additional leave programs, specific to circumstances related to COVID-19, were created to enable employees to take care of themselves or family members without using their own personal or vacation time.

Leading with communication

From the beginning of the pandemic and throughout the public health emergency, MGE Chairman, President and CEO Jeff Keebler made it a priority to connect with all MGE employees by delivering weekly video messages and inviting anyone with questions or concerns to reach out to him, their manager or Human Resources. These communications focused on safety and important company updates, wellness information and work-life balance during extraordinary times.

Health and wellness

One way for MGE to try to keep things as close to normal as possible was to provide virtually many of the same opportunities that existed at MGE facilities before the pandemic.

For example, several of our weekly wellness and fitness classes moved online, giving employees the option to participate from their home. Employees also have been able to bring certain equipment home from their workstations, such as computer monitors and chairs, to set up ergonomically appropriate workspaces at home.

Employees still have access to our team of trainers from our workplace injury prevention sports medicine

partners. Our trainers continue to hold virtual sessions with employees during weekly office hours that used to take place on-site.

Mental well-being

We realize the pandemic created new personal and work-related challenges and impacts. From information on our employee intranet and in our monthly employee newsletter, to training and development, to our Employee Assistance Program, we provide employees with tips to help them stay sharp while working remotely or under new conditions in the field.

The Learning Center is an online resource available to all MGE employees. This cloud-based tool contains a vast library with thousands of online courses available on a wide variety of topics. As many employees transitioned to working remotely, it was critical to help them adjust to working in a new way while also balancing kids and homeschooling, pets and household duties, and sharing the new home office with other members of their household. There also were adjustments for employees who continued reporting to MGE facilities. Human Resources developed additional content for The Learning Center on topics such as mindfulness, stress management, wellness, balancing the demands of work and home, how to handle isolation, being an effective remote leader and leveraging technology to stay connected.

Remote Work Community

To help keep employees and teams connected, we launched our first online employee community. The Remote Work Community, available in The Learning Center, serves as a place for all employees to connect with colleagues. Employees share tips such as how to keep kids busy while staying at home, quarantine recipes, the best staycation options for getting away online and much more.



Strategy and Climate



Saratoga Wind Farm

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 working toward ambitious carbon reduction goals 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. 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 industry leadership and to those we serve.

Climate science partnership with the University of Wisconsin

To inform our work for achieving deep decarbonization and net-zero 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.

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, relative to these publicly available model results for carbon reductions through 2050, MGE's goal is in line with or more aggressive than these model benchmarks to limit global warming to 1.5 degrees Celsius to prevent the most severe impacts of climate change.

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

Progress toward our carbon reduction goals

MGE already has reduced carbon emissions 22% 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. This target is consistent with U.S. emissions targets for the 2030 timeframe established as part of the landmark Paris Agreement on climate change. The company's pathway also is consistent with the IPCC's carbon reduction pathways as identified in the UW analysis. Consistent with the science, MGE expects to achieve carbon reductions of 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.

Energy 2030 set our foundational objectives for building your community energy company for the future. It guides our strategy and our work 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 all customers.
- Ensure that new and changing technology serves all customers equitably.

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.



Achieving
deep decarbonization

Growing
our use of clean energy



Engaging
customers around
energy efficiency

Electrifying
transportation and
other end uses



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 650% by the end of 2022. Growing our use of renewable resources is a part of our strategy for achieving net-zero carbon electricity by 2050.

Our recent clean energy projects include:

- Purchasing 100 megawatts (MW) of solar capacity from the Badger Hollow Solar Farm in Iowa County, Wis. Badger Hollow is expected to provide 50 MW in 2021; another 50 MW is expected online in 2022.
- Purchasing 50 MW of solar capacity from the Two Creeks Solar project, which came online in November 2020.
- Beginning construction on the 20-MW O'Brien Solar Fields project in Fitchburg, Wis. The project will serve local companies, the State of Wisconsin and the University of Wisconsin-Madison through our innovative Renewable Energy Rider (RER) program.
- Building our 66-MW Saratoga Wind Farm in Howard County, Iowa. Our largest wind farm came online in early 2019.
- Purchasing an 18-MW share of the Forward Energy Center wind farm in Wisconsin in 2018.
- Partnering with Dane County to build a 9-MW solar installation at the Dane County Regional Airport in Madison, Wis., to serve Dane County operations.
- Expanding our highly successful community solar program, Shared Solar, with a 5-MW solar array at the Middleton Municipal Airport in Middleton, Wis.



*The Two Creeks Solar project began serving MGE customers in November 2020.
Photo courtesy of WEC Energy Group.*

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 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.

In 2016, we reduced our minority ownership in the Columbia Energy Center. MGE reached an agreement with the plant's co-owners to reduce our MW capacity share by about 14%.

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 will help the company move forward with investments in cleaner sources of energy.

Our mix of resources includes:

- [Badger Hollow Solar Farm](#), Iowa County (first phase expected online in 2021).
- [Blount Generating Station](#), Madison.
- [Columbia Energy Center](#), Portage.
- [Combustion turbines](#), Madison and Marinette.
- [Dane County Airport Solar](#), Madison.
- [Elm Road Generating Station](#), Oak Creek.
- [Forward Energy Center wind farm](#), Dodge and Fond du Lac counties.
- [Morey Field Solar](#), Middleton.
- [O'Brien Solar Fields](#), Fitchburg (expected online in 2021).
- [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.

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 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 methane

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 2019, the manure digester generated more than 11 million kilowatt-hours (kWh) of electricity, which is enough to power nearly 1,800 households.

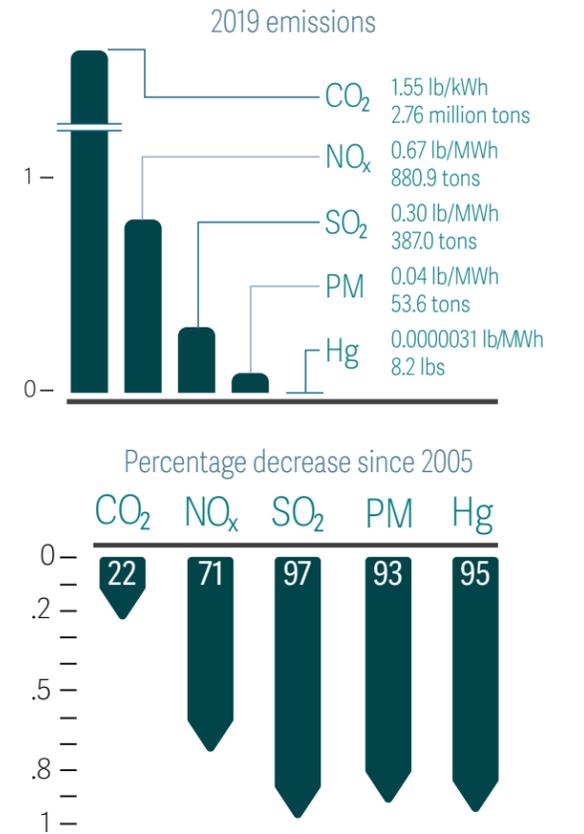
Under an Environmental Protection Agency requirement, MGE monitors, measures and reports several GHG emissions annually. MGE tracking covers power plant emissions, natural gas distribution and smaller combustion sources.

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 (EEI) 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.

LEFT: Energy from the O'Brien Solar Fields project will help power operations for the City of Fitchburg, including its administration building, under a Renewable Energy Rider agreement with MGE.

Emissions reductions



Carbon dioxide (CO₂) 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 CO₂ emission profile from all power produced in Wisconsin and the surrounding Midwest states.

Nitrogen oxide (NO_x), particulate matter (PM), mercury (Hg) and sulfur dioxide (SO₂) 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.

The graphic above shows emission rate decreases since 2005 for carbon dioxide and regulated air emissions.

Partnering with our customers to grow clean energy

Shared Solar

In summer 2020, a new 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. MGE partnered with the City of Middleton to locate the array on the roof of the Municipal Operations Center.

The Morey Field Solar array in Middleton, Wis., began serving Shared Solar and Renewable Energy Rider customers in August 2020.



Renewable Energy Rider

Our Renewable Energy Rider (RER) gives MGE the ability to partner with larger business customers who seek customized renewable energy solutions. It 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 announced more than 37 MW of solar capacity in development 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 Renewable Energy Rider 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.

The Morey Field Solar project earned MGE a Renewable Energy Pioneer award from RENEW Wisconsin in early 2020. MGE and our partners were recognized at RENEW's ninth annual Renewable Energy Summit for our innovative clean energy partnership.

Dane County Airport Solar

MGE and Dane County partnered on a 9-MW solar installation at the Dane County Regional Airport under a Renewable Energy Rider 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

MGE also received approval from state regulators for the 20-MW O'Brien Solar Fields in Fitchburg, Wis. The array will serve larger customers—including the City of Fitchburg, Placon, Promega Corporation, Tribe 9 Foods, University of Wisconsin-Madison, Willy Street Co-op and the Wisconsin Department of Administration—under Renewable Energy Rider agreements. The array is expected to begin serving customers in 2021.

Green power

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 renewable energy and offset their greenhouse gas emissions.

Today, more than 9,800 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 more than 1,000 customers to connect their solar installations to our grid.

Collaborations with our communities

MGE has an ongoing collaboration with the City of Madison around renewable energy, electric vehicles, energy efficiency and conservation. See page 32 for more information about our partnership to grow the use of all-electric mass transit.

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.

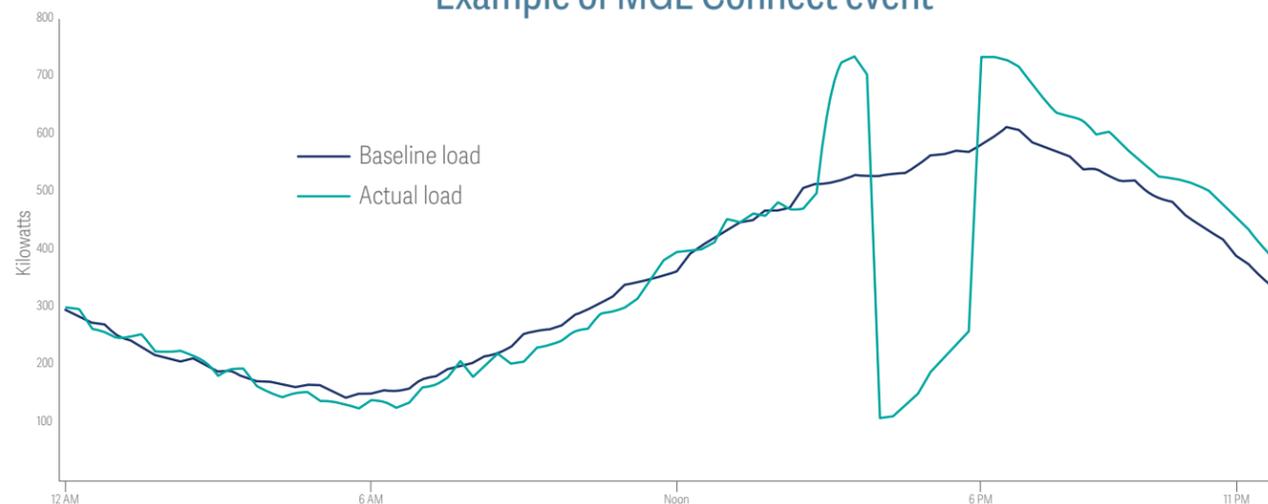
Advancing energy efficiency and conservation

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.

More than 800 households participate in MGE Connect. This graphic illustrates the potential of the program to reduce peak during times of high electric use. During a 2020 temperature adjustment event, there was a significant drop in electric use for event participants.

Example of MGE Connect event



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.

More than 800 households participate in MGE Connect®, our smart thermostat demand response program for residential customers. With customers’ permission, minor temperature adjustments are made to participating customers’ smart thermostats to reduce energy use during periods of high demand.

MGE has gained regulatory approval to expand the program to up to 2,500 devices in 2021. 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 is working with FOCUS ON ENERGY® and Project Home to make smart thermostats available to low-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 such as smart thermostats.

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. For example, Madison Oriental Market in Madison used Focus on Energy rebates to install new LED lighting. The lighting, along with other energy efficiency investments, is expected to help Madison Oriental Market save about \$8,000 in energy costs annually.



When Madison Oriental Market renovated, MGE was a partner in energy efficiency improvements, which included new energy-saving LED light bulbs.

Hotel Indigo, located in the former Mautz Paint Co. warehouse in downtown Madison, worked with MGE and Focus on Energy to incorporate energy-saving technologies, such as LED lighting and high-efficiency heating equipment. The lighting and heating combined are saving the hotel \$20,000 per year in energy costs. A nearly \$17,000 incentive from Focus on Energy helped offset the investment in this energy-efficient equipment.

In 2019, 8% of MGE customers received almost \$5 million in financial incentives from Focus on Energy for heating and cooling improvements, smart thermostats, insulation and air sealing, and renewable energy technology.

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 at the end of 2018 revealed high levels of customer satisfaction. The evaluators found an average demand reduction of 7.1% for new customers that had enrolled in the ODS program in 2017 and 2018.



Meeting customers where they are

Our Residential and Community Services team continues to develop new ways to connect 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 conservation kits 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, continuous, reliable service throughout the public health emergency. See page 12 for a summary of our response to the COVID-19 pandemic.

MGE's account representatives and community services managers engage our diverse customers in multiple ways. During the pandemic, customer engagement shifted to a virtual format.

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 2019, MGE energy experts provided individualized advice to 850 customers and engaged with a total of 5,000 customers throughout the year. MGE also maintains a separate line for commercial and industrial customers who need assistance.

Energy education for our youth

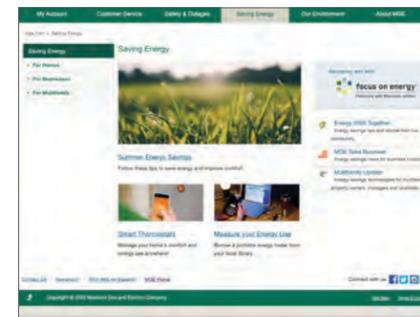
We partner with local teachers, schools and summer programs from elementary school through college to help educate thousands of students about energy, safety, electric transportation, new technologies and career opportunities in the industry.

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, 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:

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

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.



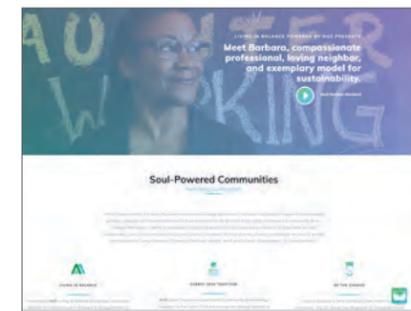
genre2030.com

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

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



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.



Leading the charge for transportation electrification

Transportation accounts for 28% 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 electric vehicles (EV) 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 more than 40 stations—powered by wind energy—and programs to facilitate charging at home, at work and on the go. Our public charging network features five DC fast chargers, which can provide 60 to 80 miles of range in about 20 minutes.



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.

MGE partnered with Dane County to install a DC fast charger at the Dane County Regional Airport in 2020.

EV engagement at MGE

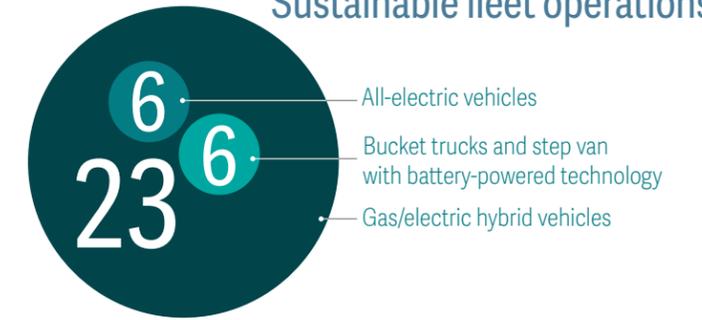
MGE seeks to engage our employees in our efforts to grow the use of EVs. We offer five workplace charging stations, each with dual ports, to enable charging for employees while at work. Workplace charging offers many benefits, including employee attraction and retention and support for sustainable initiatives.

MGE's EV fleet goal

We have been testing commercially available fleet operations 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. Our fleet includes a plug-in electric pickup truck and a Ford C-Max, a step van and bucket trucks with battery-powered technology, and all-electric passenger vehicles including Chevy Bolts.



Sustainable fleet operations



MGE EV fleet goal
100%
 all-electric or
 plug-in hybrid
 light-duty vehicles by 2030

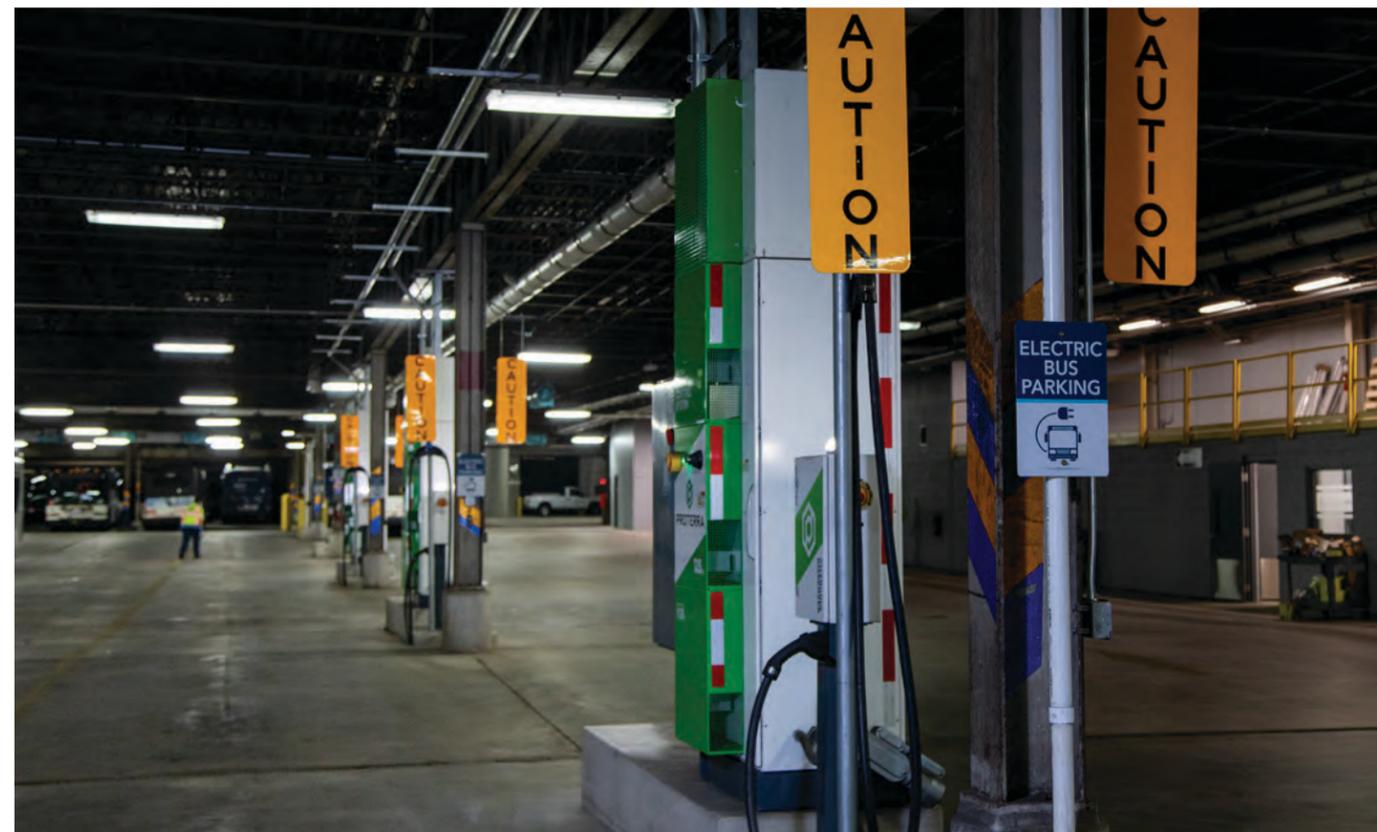
MGE's new step van features plug-in, battery-powered auxiliary equipment to prevent vehicle idling while crews use it to perform their work.

Electric buses in Madison

The City of Madison is adding three all-electric buses. MGE worked with Metro 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.

MGE is partnering with the City of Madison to help electrify its bus fleet by 2030. As part of the ongoing collaboration, MGE is providing continued in-kind support and expertise to address technological issues and facilitate 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.



MGE contributed 100% of the required local matching funds for charging infrastructure for the City of Madison's all-electric buses and is providing ongoing support and expertise.

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.

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.



MGE partners with local auto dealerships to educate drivers and to advance EVs and charging opportunities. For example, placing this display to share information about MGE programs helps to highlight how convenient it can be to drive an EV.

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.

Sustainable Transportation Series

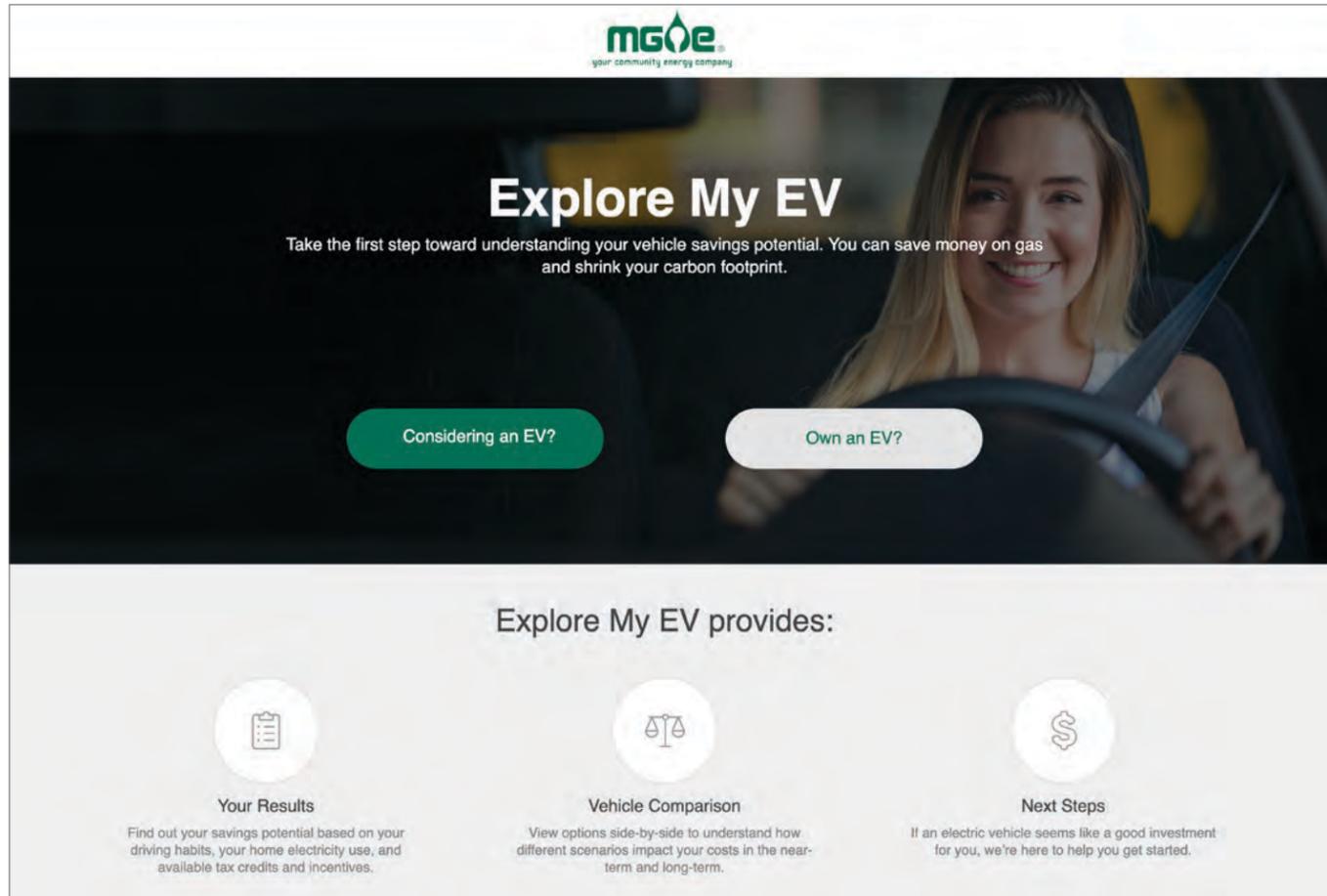
MGE partnered with Wisconsin Clean Cities, the City of Madison and others to present a virtual educational series for fleet and transportation professionals in fall 2020. MGE's manager of electrification shared information

about EV infrastructure, including MGE's growing public charging network and our partnerships with businesses to advance EVs and EV charging opportunities.

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 our all-electric Chevy Bolt to share information on driving and charging EVs.

For example, each year, MGE sponsors the National Drive Electric Week event held in Madison. In 2019, more than 100 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.

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, 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 (GPI) 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 better inform policymakers. The MPSC is one of many partnerships in which MGE is involved to further sustainable energy.

Partnering to grow innovation

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.

Technical Work Group

MGE continues to work with the Citizens Utility Board and Clean Wisconsin as a Technical Work Group, examining innovative program ideas in a focused, deliberative fashion. The work group, which began in 2014, seeks to identify ways that MGE 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, smart thermostat demand response (MGE Connect) and Charge@Home, have been informed by the group’s efforts.

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. 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 in the top three utilities in the country for the fewest number of outages in each of the last 12 years. We have ranked number one nationwide for the fewest outages four of the last six years. On average, MGE customers experience about one power outage every three years. That’s compared to a nationwide average of more than four outages every three years. Reliability metrics for 2019 have not been released yet.

Top-ranked electric reliability



A modern grid for the utility 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.

As new technologies emerge and generation sources evolve, the electric grid is becoming more advanced and complex. This more complex system requires a conductor to ensure the system develops and operates in a way that keeps electricity safe, reliable

and affordable for everyone. The role of a conductor to manage the grid becomes more important. As the public utility, MGE serves as this conductor for our community grid.

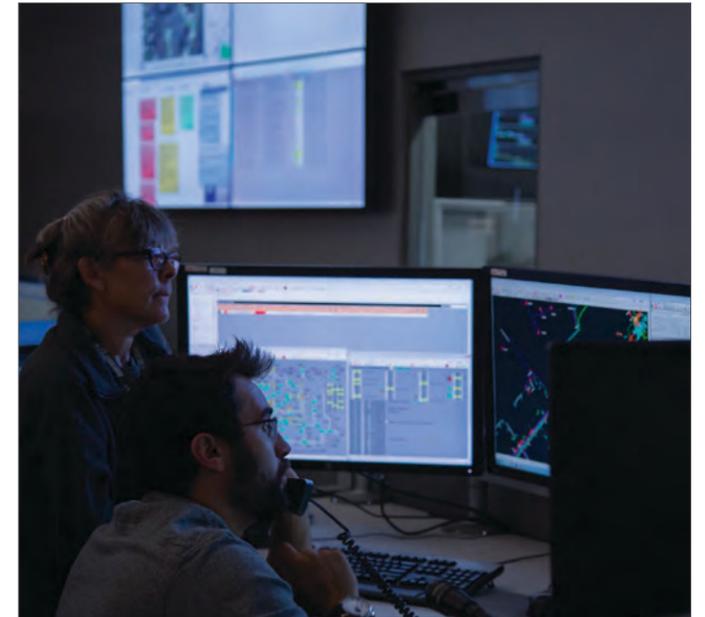
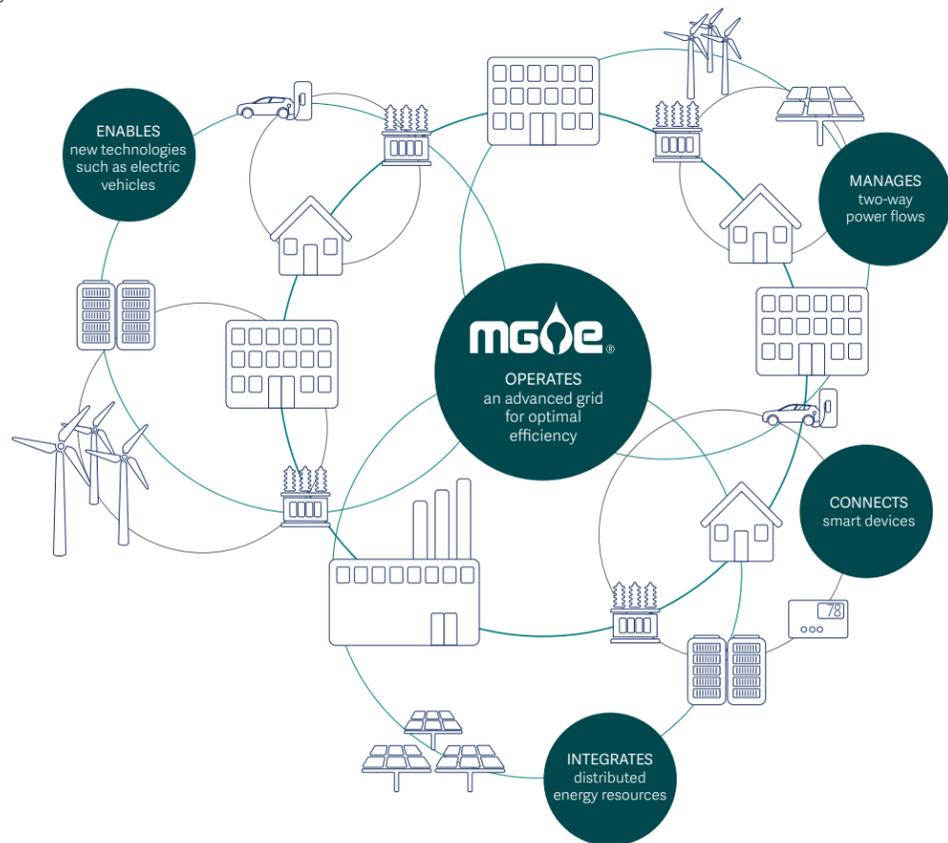
When the utility serves as the conductor of the electric grid, new technologies and resources can add value to the system because the utility is able to dispatch generation and balance demand as needed. With more sources of two-way power flows—power flowing to the customer from the grid and power flowing 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.

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 over time, which leads to lower costs for all customers. The benefits of grid resiliency, reliability and a more efficiently managed power system also 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 grid

This orchestration benefits the utility as well as customers because it helps to ensure the system operates



Safety and Operations



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.

Business continuity during COVID-19

On March 24, 2020, Wisconsin Gov. Tony Evers issued a Safer at Home order requiring people in Wisconsin to remain at home, with some exceptions. Under the order, MGE was deemed an essential infrastructure company. MGE developed a framework to guide our decisions regarding the criticality of operations work to be completed and the manner in which it should occur safely.

We have always embraced our responsibility to provide our customers with safe and reliable energy, which is even more important during a pandemic. While we made adjustments to work routines and schedules, we never stopped performing the work required to fulfill our obligation to ensure the safe and reliable operation of our electric and natural gas systems to maintain safe and reliable service to our customers. We also continued work required to maintain other businesses and organizations permitted to continue operations under the governor's order. To read more about MGE's COVID-19 response, please see page 12.



We Power Safety

In 2014, MGE launched a corporate safety commitment to improve our safety culture and begin MGE's 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 a safer place to work. Our employee-led Continuous Improvement 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 2018 and 2019, MGE had back-to-back, record-setting safety achievements. In 2019, we recorded our lowest recordable incident rate and our second-lowest lost-time incident rate since we started keeping records in 1971. Our all-time low lost-time incident rate was recorded in 2018.

2019 Continuous Improvement Teams

In 2019, we had two CI Teams working to build on our historic safety success in 2018. The teams focused on risk behaviors at work and office safety.

Risk Team Six

Our sixth CI Team, Risk Team Six, was formed to gain an understanding of risk behaviors, including what risks are taken by employees and why, and to determine how to mitigate risks. The team conducted 28 focus groups with over 90% of the workforce. Employees acknowledged some calculated risks are taken due to convenience, complacency and other influencers. Risk Team Six uncovered the key influencers that may cause employees to take risks, identified existing tools for managing risk and developed recommendations for mitigating risk.

Motivational safety speaker visits MGE

As part of the team's work in 2019, Risk Team Six arranged for motivational safety speaker Brad Livingston to visit MGE. Livingston shared his powerful "You Think

It Can't Happen to You" presentation as part of our first-ever companywide safety meeting, which included operations and office personnel. This opportunity was arranged to help employees fully understand the possible effects of taking an unnecessary risk at work or in any part of their life. More than 500 employees attended the presentation at multiple MGE facilities over a two-week period.

Livingston worked for a natural gas company in 1991 when he was severely injured in back-to-back tank explosions that took the life of his coworker and nearly ended his. As Livingston explained, the explosions were completely preventable and never should have happened. His presentation served as an impactful reminder that each of us is responsible for our actions. We are accountable to each other whether performing skilled work on the job, driving in a car, working on a hobby at home or enjoying a recreational activity.

MGE's Risk Team Six arranged to have workplace safety speaker Brad Livingston deliver safety presentations at multiple MGE facilities over a two-week period.



Office Safety Team

The Office Safety Team developed a strategy and supporting tactics to ensure office personnel remain informed, aware and involved in safety activities that are relevant and meaningful and that add value. This is being accomplished in a number of ways, including through safety meetings focused on topics relevant to office personnel, such as understanding the importance of proper ergonomics; utilizing and enhancing some of the wellness tools already in place for employees, such as access to our workplace injury prevention trainers; and developing an employee reference guide that details what to do in certain emergency situations. In early 2020, the Office Safety Team organized ergonomics workshops that were attended by more than 120 employees.

Enhanced safety protocols related to the COVID-19 response interrupted 2020 CI Team planning; however, the Safety Steering Team expects to resume CI Team efforts in 2021.

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 safety impacts. The reporting process establishes accountability at all levels of the company to ensure it is implemented in a safe, no-blame environment.

In three years of using the near-miss/good catch process, more than 150 near-miss and good catch reports have been filed. Sharing near-miss/good catch reports with employees is designed to help all employees learn about safety issues and to help prevent incidents, both of which serve to improve our safety culture and collective performance.

Employee wellness

MGE offers employees a comprehensive wellness program. Our Healthy Rewards program 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](https://www.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 have been offered to employees virtually.

Preventing sprains and strains

MGE supports employees through a partnership with a workplace injury prevention sports medicine provider that employs athletic trainers. These trainers teach employees how to properly warm up and stretch before performing physically demanding work and how to perform ergonomic assessments. 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 a professional athlete, working athletes need the highest level of support and care.

With easy access to the athletic trainers, employees are able to get the coaching they need from someone who understands the type of work they do and the type of injuries they may experience. Our trainers can help with early intervention to minimize and even eliminate those injuries.

In 2019, the program expanded to include MGE's office employees. In 2019, there were nearly 1,500 one-on-one meetings between an employee and trainer, and nearly 5,500 employee contacts occurred in 651 group sessions with employees and trainers.

From January through June 2020, there were 361 one-on-one meetings between employee and trainer, and nearly 1,500 employee contacts occurred in 172 group sessions. In April 2020, during the COVID-19 pandemic, we transitioned to virtual sessions, allowing employees to continue meeting with trainers.

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.

All hazards response

Whether it's a natural disaster or a man-made disaster, MGE has plans in place to prevent and mitigate damage. 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.

The Incident Commander leads the SRP functions and is supported by Section Chiefs who are responsible for running the major functional sections within the SRP. Some of those functions include assessing damage, ordering supplies and managing mutual assistance crews from other utilities as well as responding to media and customers experiencing an outage or other service-related issues from the event.

MGE participates in disaster recovery planning

Security is a priority at MGE—cybersecurity and physical security. We are committed to protecting our networks and data from unauthorized access and ensuring safe, reliable service for customers. We also are committed to working proactively with partners to ensure a plan is in place for prioritizing customers' electric needs if a limited supply of electricity is available as the result of security incidents.

MGE and Dane County Emergency Management cohosted a disaster recovery planning exercise sponsored by the North American Electric Reliability Corporation (NERC) in 2019. GridEx V participants included the City of Madison police and fire departments, Madison Metropolitan Sewerage District, Madison Water Utility, University of Wisconsin, UnityPoint Health and UW Health.

The exercise scenario called for a severe shortage of electricity and the need to decide how a limited amount of power would be used. Participants had to think about how power supports emergency management functions at a more granular level and then consider how to prioritize those electric needs during a crisis.

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 on in MGE's COVID-19 response. 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, 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 and entire teams began working from home. These were just a few of the numerous steps taken to protect employees and customers. Read more about the measures taken on page 12.

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](https://www.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 curriculum supporting materials to visiting the classroom 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.



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.

Safety Saturday

MGE is a proud sponsor of the Madison Fire Department's annual Safety Saturday event. MGE employees from Electric Construction and Operations, Gas Construction and Operations, and Corporate Communications staff a display to share important gas and electric safety information.

Safety Saturday uses interactive displays and exhibits to educate parents, children and the public on ways to make safe decisions, to prevent injuries and to encourage the use of safety devices such as seat belts, bike helmets, smoke alarms and carbon monoxide detectors.

Due to COVID-19, Safety Saturday was cancelled in 2020.



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. Again in 2019, our total response time ranks in the top 20% 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 natural gas companies works together to voluntarily reduce methane emissions across the natural gas supply chain.

TC Energy also is a founding partner in the EPA's Natural Gas STAR Methane Challenge Program, which launched in 2016. Partners in this voluntary program report systemic and comprehensive actions to reduce methane emissions as part of efforts to enhance transparency in the industry.

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 2020, MGE earned the Green Master designation for the seventh 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 2019, EPRI marked its sixth 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 ESG 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 in our operations and governance, MGE also participates in the Edison Electric Institute's (EEI) environmental, social, 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.

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.

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.

The program prevented more than 50,000 pounds of phosphorus from reaching surface waters in 2019.

Invasive species

Invasive species and non-native plants adversely affect areas where they spread. They also may pose a risk to human health. Invasive species can be found in forests, grasslands, wetlands, lakes and rivers.

Working together with MGE's Environmental Affairs department, Electric and Gas 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.

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., also has 20 solar panels on the roof capable of producing about 5.3 kilowatts of energy.

Bottle filling stations and filtration systems

Throughout our facilities, MGE has 16 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 almost 600,000 disposable plastic bottles.

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 June 2020, more than 1.4 million bill pages are not printed each year, which saves:

- More than 2,800 reams of paper per year.
- More than 14,000 pounds, or seven tons, of paper per year.

The estimated annualized savings from our paperless billing adoption is more than \$300,000.

2019 paperless benefits

1.4 million
bill pages not printed

seven tons
of paper saved

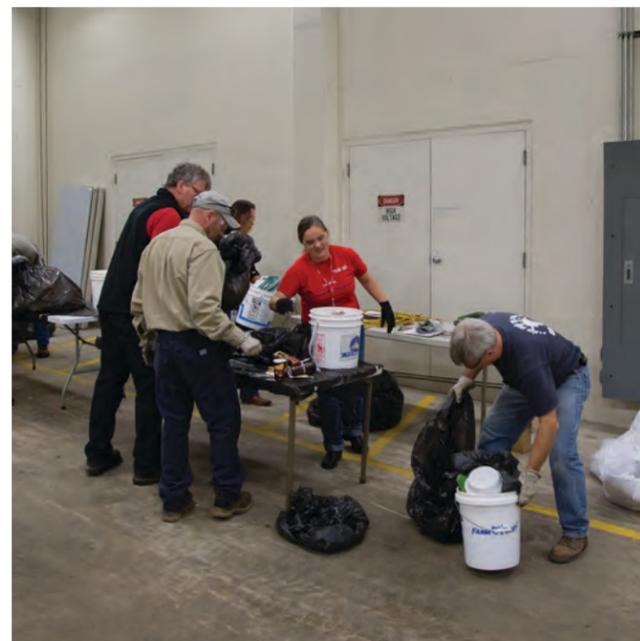
Supply chain and waste management

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.

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 is currently in the process of reviewing our battery recycling program. Additionally, a local vendor takes our wood pallets, recycling them into mulch.

We also recycle thermostats and other mercury-containing devices, chemicals, steel, iron, copper, glass and cell phones.



2019 recycling numbers

.55 tons
of alkaline batteries

7.22 tons
of e-waste

76.8 tons
of wood pallets

146.8 tons
of all-in-one
office recycling

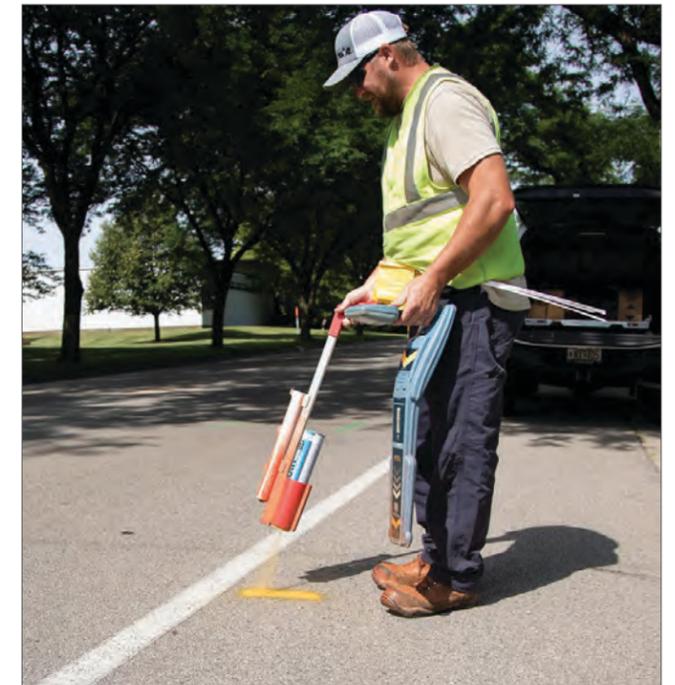
602 tons
of metal

Earth-friendly paint option

Historically, non-recyclable aerosol paint cans have been used to mark underground gas and electric 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.

MGE has been working to find earth-friendly paint options. MGE's first test product, a bagged paint technology that offered several benefits, also had some drawbacks. So we tested a second product that creates less waste, saves money and allows for steel recycling and reuse of the nozzle.

The overall design of the paint container leads to the reduced waste. Typical designs have two main problems. They leave a small amount of product in the bottom that



the aerosol can't dispel and the aerosol nozzle tends to get clogged and/or broken. The new can is bigger, which means fewer change-outs, leading to cost savings. And, the new paint product has been more consistent while marking gas and electric facilities, which translates to better efficiency for the locators in the field. There's also less waste with the new cans, and they empty out completely so we can recycle them.

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 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 different 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.

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.

Our 2020-2021 Environmental Management System goals

- Implement a corporate expansion of MGE's EMS that is designed to meet Wisconsin Green Tier requirements.
 - Conduct a risk review of MGE's environmental emergency response plans looking at risk to waterways, human health and sensitive environmental features.
 - Add environmental emergencies to the corporate All Hazards Response planning process.
 - Complete removal and replacement of all PCB-contaminated transformers from service by 2021.
 - Continue to implement the Fleet Alternative Vehicle Policy that evaluates new MGE vehicles when it is operationally prudent. Review how we can measure and track environmental impacts.
 - Continue to convert to LED lighting at MGE facilities where feasible in 2020. Continue energy efficiency projects during building upgrades and track estimated energy savings from these projects.
- Teams have been developed to ensure that we have action plans in place to meet these goals.

Blount Generating Station



Environmental Management System to cover all MGE operations



Employees, Customers and Communities



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.

Sustainability Steering Team

Twenty-five 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.

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 are taking a more global approach in proactively 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 also has representation from across MGE.

Sustainability Steering Team



Continuous Improvement Sustainability Teams

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

EMS Team

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 will capture environmental improvements across the company. It also further demonstrates our commitment to goal-setting and environmental accountability.

Our first Continuous Improvement Sustainability Team also helped to update our Environmental and Sustainability Policy, which is available on page 2. The team worked to include a broader concept of sustainability in the corporate policy that also would better capture and define how MGE seeks to practice sustainability within the company and throughout the communities we serve.

Battery recycling project

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 is improving the process and efficiency of alkaline battery recycling. Unlike rechargeable batteries, alkaline batteries are nonhazardous and difficult to recycle. We want a way to continue to recycle these batteries from MGE operations and continue to allow employees to bring them from home. The team has begun work to develop a system that takes less time and allows for safe storage and transportation.

Wisconsin Monarch Collaborative

Monarch butterflies face many risks that are causing a serious decline in their populations. According to the Wisconsin Monarch Collaborative, in the last 20 years, the eastern North American monarch butterfly population has declined by 90%.

One of the biggest impacts on the monarch population is the loss of habitat for breeding, migrating and overwintering. Pesticides used to control insects and weeds also have harmful consequences for monarchs. The loss of habitat is forcing changes in migratory patterns.

Created in 2017, the Wisconsin Monarch Collaborative is working to create and implement a statewide monarch conservation strategy that covers habitat creation and enhancement, education and outreach, and research and monitoring. MGE is proud to be part of the Wisconsin Monarch Collaborative, including serving on the Rights-of-Way Working Group.

Importance of pollinators

In addition to monarchs, MGE also is working to help protect pollinators. Pollinators play an important role in ensuring that the fruits, vegetables and other plant products we eat make it to our tables. One out of every three bites of food we eat is because of pollinators.

Pollinating animals travel from plant to plant carrying pollen on their bodies in a vital interaction that allows plants to create fruits, nuts and other edible parts. The vast majority of pollinators in the United States are insects such as bees, butterflies, moths, beetles and even some wasps. Other pollinators include birds, bats and other small mammals.

In 2019, MGE employees planted a couple of pollinator gardens at our downtown Madison, Wis., campus.

Support for pollinator habitat

Utilities are in a unique position to help support pollinator habitat. They can protect existing habitat and create new habitat along rights-of-way and on other owned facilities. MGE's Badger Hollow Solar Farm, Two Creeks Solar, O'Brien Solar Fields and Dane County Airport Solar will host pollinator habitat after construction is complete.

The U.S. Fish and Wildlife Service (USFWS) is currently working with utilities to draft voluntary Monarch Candidate conservation agreements to help protect the monarch butterfly. These conservation agreements would help the monarch and other pollinator species

while allowing utilities to continue to maintain and upgrade their facilities. MGE already actively protects the rusty patched bumble bee by supporting the replacement of habitat when we install and maintain our electric and gas lines.

MGE's pollinator habitat

In 2019, MGE employees planted wildflowers in two flower beds at our downtown Madison campus. We worked with the University of Wisconsin-Extension to plant native wildflowers that will help attract bees, butterflies and other beneficial insects.



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. Our employees have the tools available to develop the knowledge and skills necessary to grow and to be successful.

The Learning Center is an online resource available to all MGE employees. Launched in 2017, this cloud-based tool contains a vast library of thousands of courses 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. This helps ensure employees are equipped with the knowledge and skills to effectively navigate our changing industry.

Since The Learning Center was launched, MGE employees have attended more than 27,000 training sessions.

Stronger together

One of the most recent additions to The Learning Center is the Strength page. This page is dedicated to information about inclusion, diversity, discrimination and harassment. Employees can find courses, articles, podcasts and more. The page is updated regularly to remain current.

A culture of diversity and inclusion

At MGE, we value equity, diversity 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 the objectives of our diversity and inclusion policy as well as supporting the concepts of equal opportunity and affirmative action. We believe our collective differences make 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.

IBEW Local 2304 represents MGE employees in departments such as Electric Construction and Operations, Gas Construction and Maintenance, Energy Production, Service and Metering, Materials Management/Fleet Operations and Facilities Management. Some of the positions represented by the IBEW are line technicians, pipe fitters and repairmen, service technicians, mechanics, storekeepers, auxiliary and control operators, and others.



Freedom of association

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 45% of MGE's total workforce, far exceeding the average private sector unionization rate in the United States of 6.2%.

Customer and community engagement

As your community energy company, we seek to engage all our customers in many different ways. We work to ensure all our 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 and communications 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.

Engaging our communities

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

MGE maintains relationships with more than 20 specific sectors in our community and works closely with community organizations 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 community or residential services managers to build relationships.

MGE partners annually to sponsor the family-friendly MGE Día de Fútbol event, which celebrates the area’s Latino culture with soccer clinics and scrimmages for kids, food and music.

Supporting our neighborhoods

Vibrant neighborhoods—and the active neighborhood associations that serve them—contribute to the quality of life in our community. Throughout the Madison area, festivals and community activities like concerts, picnics and potlucks help neighborhood associations raise funds for important local projects and provide community-driven, family-friendly activities.

MGE has been a longtime partner to many of the neighborhood associations across our service territory. Sponsoring events and staffing booths with our energy experts allow us to meet customers where they are to provide energy efficiency tips and information on driving and charging electric vehicles and to discuss how programs such as Green Power Tomorrow and Shared Solar are convenient and effective ways for customers to support the growth of clean energy.

In 2020, most neighborhood events were cancelled due to the COVID-19 pandemic; however, MGE’s Residential and Community Services department continued to connect with neighborhood associations and other organizations via virtual meetings, neighborhood newsletter articles and advertising, social media and phone. The team reached out proactively early in the pandemic so the associations knew MGE was still accessible and ready to serve as a trusted community resource. See page 12 to learn more about MGE’s response to the COVID-19 pandemic.



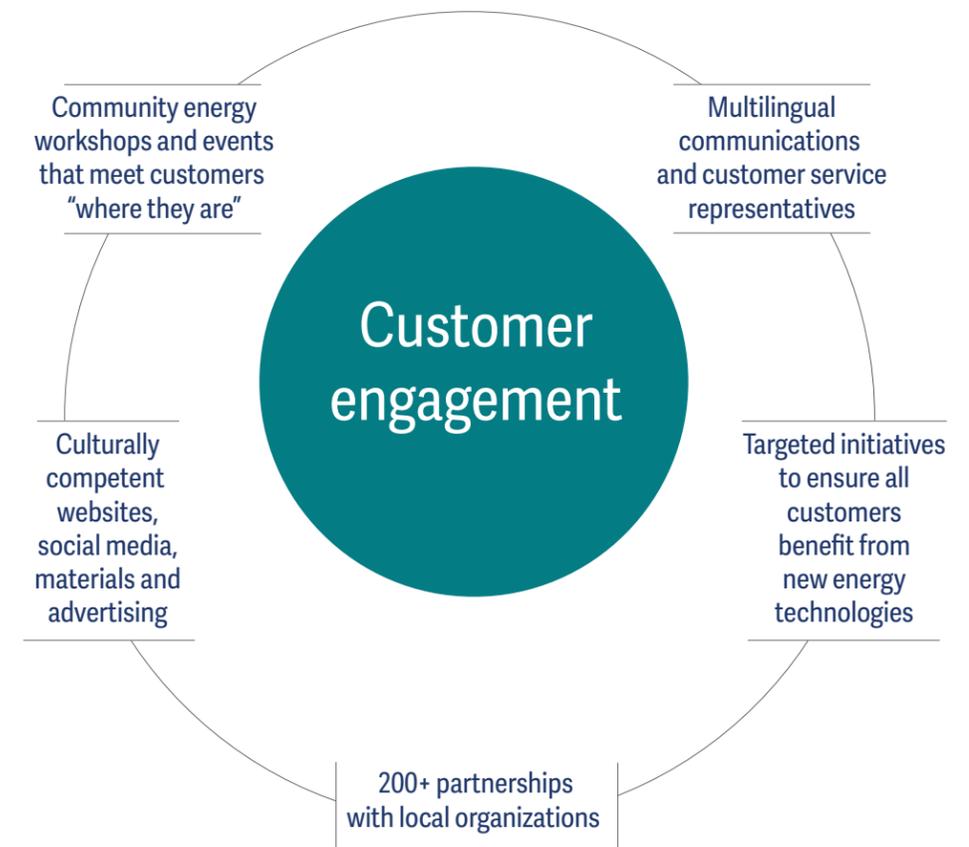
Connecting with our communities of color

To help us connect with our evolving multicultural customer base, MGE’s Residential and Community Services team worked to develop culturally competent digital resources that integrate social media, web content and videos to serve our communities of color. At 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. See page 29 to learn more about our online resources.

MGE 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.

Serving a multicultural community



Engaging customers through workshops

In fall 2019, as winter heating season approached, MGE conducted a targeted engagement effort to help educate customers about managing their energy use and to make them aware of energy assistance resources. Working with community centers, churches and nonprofits, our energy experts hosted workshops in various neighborhoods to talk one-on-one with customers to learn about their needs. At the workshops, MGE and a local nonprofit provided tips and strategies for conserving energy, helped attendees navigate our websites to find conservation information and connect to local resources, and gave attendees free kits from Focus on Energy, Wisconsin's statewide energy efficiency and renewable resource program.

A number of MGE departments virtually hosted the 2020 Career Ambassadors as part of a program to promote college readiness through summer internships and college preparation activities.



Engaging future generations and advancing diversity in the energy industry

MGE is working 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 industry.

MGE Career Ambassadors

Every year, several Madison high school students spend six weeks at MGE over the summer as part of MGE's Career Ambassador Program, now in its fifth 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 and 100 Black Men of Madison. The students learn about the utility business and utility-related career opportunities and gain experience in the workforce. In 2020, MGE continued the program, hosting its first fully virtual Career Ambassador experience.

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.

STEAM Camp

For the last four years, 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 COVID-19 pandemic, 2020's STEAM Camp was held virtually.

MGE employees helped STEAM Camp participants learn how MGE uses the sun to make electricity and how we keep the lights on and the gas flowing. 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.

FutureQuest

In fall 2019, MGE helped more than 5,000 Dane County middle school students learn about exciting careers in the energy industry at FutureQuest 2019. A joint effort by the Dane County School Consortium and the Madison Metropolitan School District, FutureQuest is a hands-on experience for students to explore potential interests within 16 career cluster pathways. MGE was grouped with other members of the Wisconsin Energy Workforce Consortium, providing information on different careers in the energy industry.

In fall 2020, MGE participated in a virtual FutureQuest experience with videos and panels of professionals leading question-and-answer sessions with the students.

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.

MGE also supports 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.

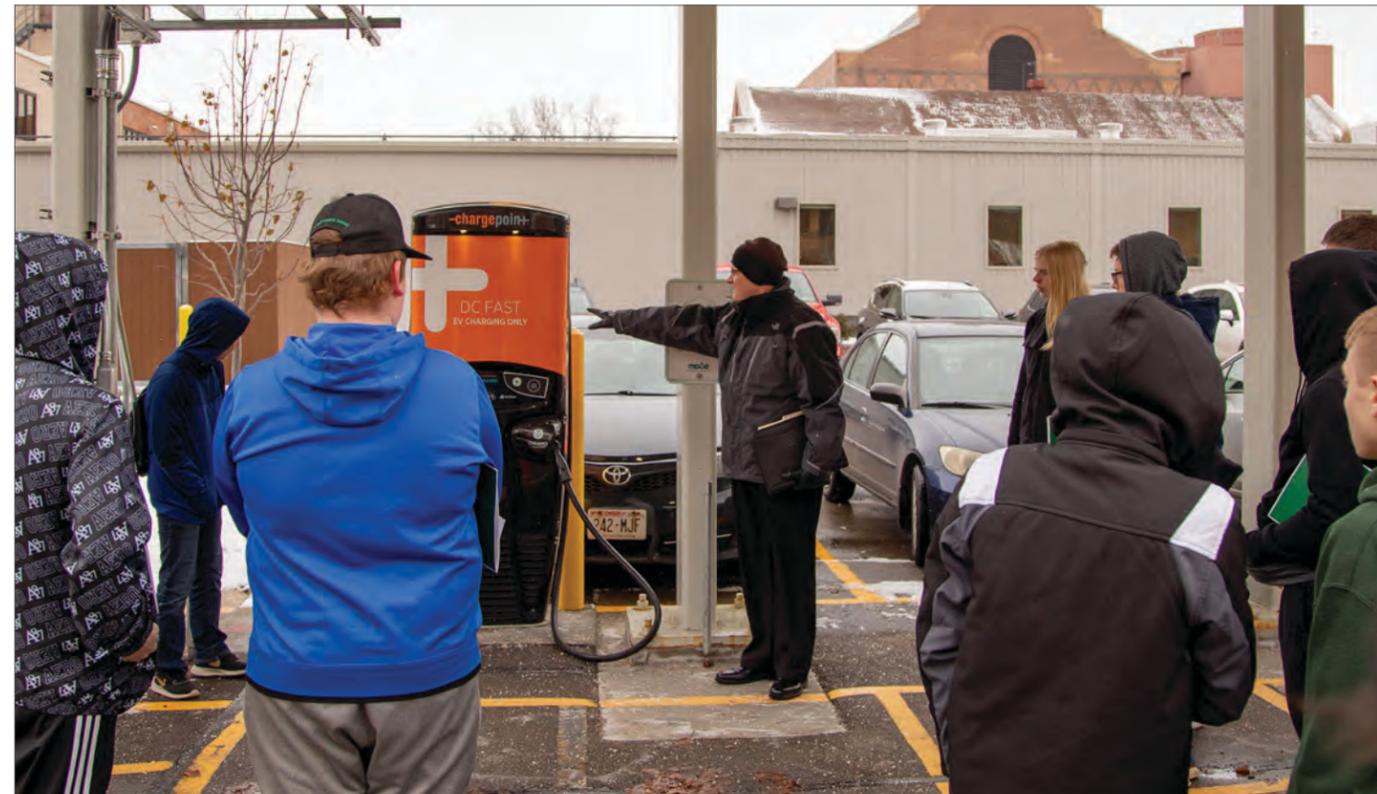
We also have made available to area teachers Energy Skill Builder Programs, which included self-contained, full-color student books covering specific energy topics. For the 2019-2020 school year, which was impacted by the COVID-19 pandemic, about 200 elementary and middle school teachers in MGE's service territory requested packets to serve thousands of students.

We also offer 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.

EV field trip

As our industry evolves, our educational programming and opportunities for young people also evolve. In fall 2019, MGE hosted engineering and consumer automotive students from James Madison Memorial High School. The visit to MGE to learn about electric vehicles (EV) and EV charging was part of a daylong field trip jointly organized by the Madison Metropolitan School District (MMSD), Madison College, the City of Madison Fleet Service team and MGE. Students spent the day learning about MGE's charging network and solar arrays, riding in an EV and hearing from the City of Madison Fleet Service team why the City is adding EVs to its fleet and what is involved in maintaining EVs.

MGE Community Education Manager Jim Jenson explained different types of EV charging to local high school students visiting MGE as part of a daylong field trip around EVs organized by MGE and other local partners.



MGE continues to work with MMSD teachers and staff to bring an EV curriculum into the schools. The program uses real-world EV charging station data to help students learn about sustainability, science, technology, engineering and mathematics (STEM) disciplines and sustainable transportation.

Science on the Square

In 2019, MGE's energy experts joined the Wisconsin Science Festival for the second consecutive year for Science on the Square, located on the Capitol Square in downtown Madison. MGE's hands-on exhibit featured information on clean energy, EVs and electric safety. Science on the Square is part of the annual statewide Wisconsin Science Festival. MGE is proud to support the four-day celebration of learning.

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 \$6.1 million to more than 400 community organizations. In 2019 alone, the Foundation contributed to more than 200 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 Annual Report on Giving

MGE publishes an Annual 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 annual giving is available at mge.com/Foundation.

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.

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 helps businesses get access to financing, increase profitability and connect with business resources within the region.

Winnow Fund

MGE recently made a commitment to the Winnow Fund, a Madison-based venture capital fund dedicated to helping launch new products out of Wisconsin colleges, universities and early-stage companies. The Winnow Fund is the first and only Wisconsin-based, woman-led venture fund that is actively investing in Wisconsin. It is specific to Wisconsin companies, student inventors and entrepreneurs.

Kiva City Madison

In 2019, Kiva Greater Madison launched. Kiva has been empowering entrepreneurs through crowd-funded microloans since 2005. A majority of Kiva loans go to women, people of color, immigrants, veterans and limited-income individuals. In response to the COVID-19 pandemic, Kiva offered zero-interest loans without fees to help smaller businesses in our community weather the public health emergency.

MGE, the City of Madison, Doyenne Group (an organization that supports female entrepreneurs) and the Wisconsin Women's Business Initiative Corporation partnered to bring a local chapter of the international nonprofit organization to the Madison area. MGE sees Kiva as a way to support underserved entrepreneurs in the Madison area. The MGE Foundation contributed to a three-year pilot project to make the Madison area a Kiva City.



MGE's economic development team, Director of Economic Development Pam Christenson and Senior Business Development Manager John Drury, works with customers, local stakeholders, entrepreneurs and others across the Madison area's business community to promote available resources and to enable a robust local economy.



StartingBlock Madison

MGE is a neighbor of StartingBlock Madison, the entrepreneurial hub serving the city's growing entrepreneurial and start-up communities. 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 is a proud partner and supporter of StartingBlock and other efforts to grow our economy and accelerate innovation. MGE brings resources and expertise to support the area's economic development. The MGE Foundation contributed to help make StartingBlock a reality.

The MGE Foundation contributed to help launch StartingBlock Madison, which offers affordable and flexible space to entrepreneurs and growing businesses.



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.

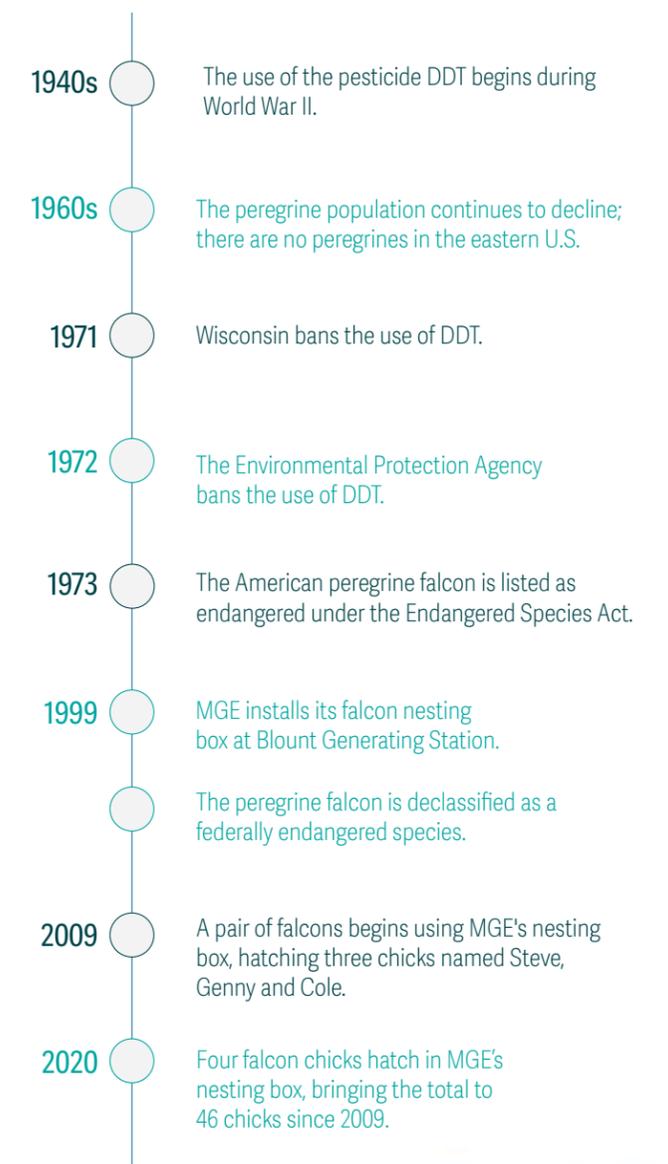
Falcons were reintroduced to Wisconsin in the 1980s, and while they are listed as endangered in Wisconsin, they have made a slow, steady comeback due to statewide efforts and nesting boxes like the one at Blount. The original nesting box at Blount was installed in 1999. It was built by an MGE employee 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 46 falcons hatch at Blount, including the 2020 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.

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.



Peregrine timeline



In 2020, the chicks' names were inspired by the 50th anniversary of Earth Day. April was named to recognize the month that Earth Day is celebrated each year. Nelson is named for Earth Day founder Gaylord Nelson, who served as governor of Wisconsin and as a U.S. senator. Terra is named for a word that means earth or land in a variety of languages. Verde is named for a word that translates to green in a variety of languages. It represents the color often found in nature.



Governance and Oversight



Our Board of Directors has a commitment to corporate responsibility and environmental 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 fall 2020, the board held a strategic planning and review session with all officers of the company. This session was 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. The board holds strategic planning and review sessions with all officers periodically.

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.

In 2018, MGE moved from biennial to annual production of our Environmental and Sustainability Report, which in 2020 has become 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.

Executive compensation

MGE Energy's Board of Directors' Compensation Committee, composed of independent directors, takes into consideration environmental performance, among other factors such as cost containment and management of day-to-day operations, when evaluating executive compensation. The committee also considers other performance goals, such as earnings, system reliability and customer satisfaction as well as long-term strategic goals, including those related to sustainability.

As part of its ongoing assessment of corporate performance, the board regularly reviews how well the company is advancing its overall goals around carbon emissions reductions as well as progress on its specific strategies for deep decarbonization.

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.

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 (PSCW), 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 (FERC) 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.

Our board engages in a comprehensive risk assessment and mitigation review biannually. In addition, 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. This review last occurred in 2019.

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 environmental sustainability and risk management. All officers of the company take ownership in and are accountable for managing and mitigating corporate risk.

Environmental Management System

Additionally, MGE is employing an independent third party to oversee the expansion of the company's Environmental Management System (EMS). 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 EMS. More information about the EMS is available on page 50.

The company's 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. This further demonstrates MGE's commitment to goal-setting and to environmental accountability.

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.

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.

In 2019, MGE management began working with experts from the University of Wisconsin-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, the board discussed the work of these experts to evaluate the company's goal and strategies for achieving deep decarbonization by mid-century. See page 19 for details of this independent analysis.

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.

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.

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.

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.

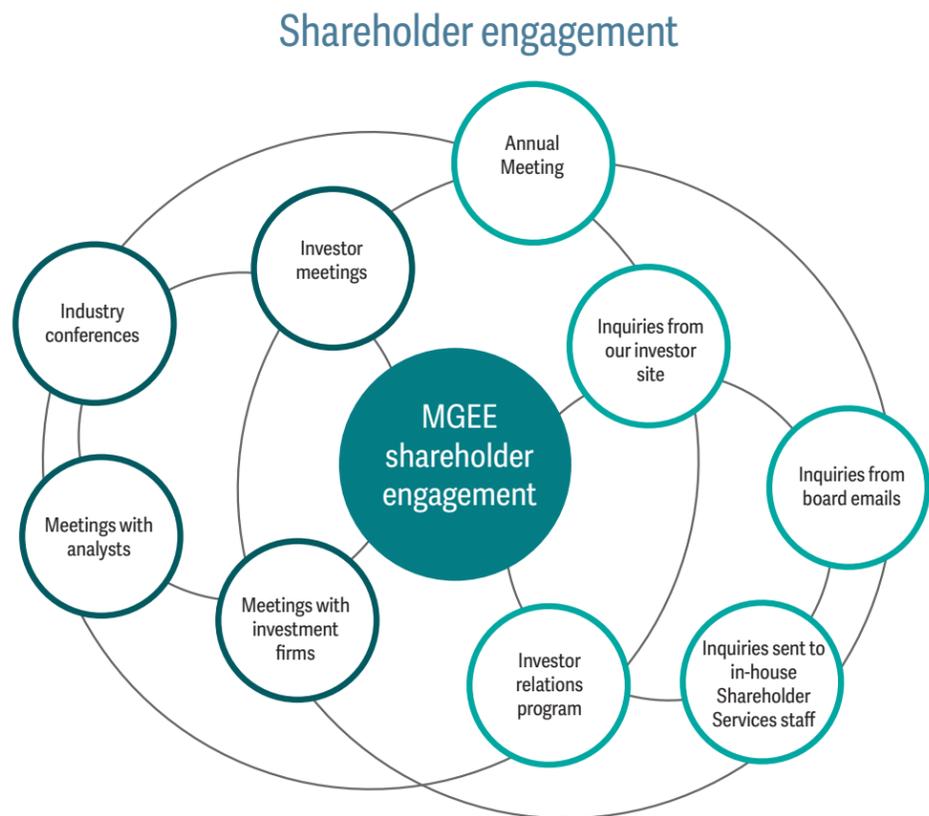
About this report

MGE's 2020 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.

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 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.





mgeenergy.com
mge2050.com
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MGE is committed to
environmental stewardship.
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