



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

## **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.

Our Environmental and Sustainability Policy is available at [mgeenergy.com](https://www.mgeenergy.com) and in our *2021 Corporate Responsibility and Sustainability Report*.

## 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.

### Governance

Strong oversight by our Board of Directors, our board's engagement with management and our participation in third-party benchmarking and evaluation programs help us assess our performance and promote continuous improvement in our proactive approach to sustainability.

*For more information, see page 4 of this template and the **Governance and Oversight** section of our **2021 Corporate Responsibility and Sustainability Report**.*

### Highlights

Seven out of the board's nine directors are independent. All members of the Corporate Governance Committee, Audit Committee and Compensation Committee are considered independent. 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.

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

- » Planned retirement of the Columbia Energy Center and future energy and capacity needs
- » Cybersecurity
- » Environmental, social and governance (ESG) reporting and disclosures
- » Generation strategy and planning
- » Utility rates
- » Matters of social justice and of diversity, equity and inclusion
- » Issues of human rights and labor abroad in energy and related industries
- » Federal regulation and legislative matters affecting energy

### Strategy

MGE is advancing clean energy and new technologies for the benefit of all. Through our partnerships, we are working toward ambitious carbon reduction goals while fulfilling our mission to provide safe, reliable, affordable and sustainable energy to our communities.

*For more information, see pages 7 through 10 of this template and the **Strategy and Climate** section of our **2021 Corporate Responsibility and Sustainability Report**.*

### Highlights

Our strategies to achieve deep decarbonization:

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

MGE is working to achieve deep decarbonization, consistent with current climate science, as quickly and as cost-effectively as we can. Our carbon reduction goals reflect our vision and signal our direction but do not determine our pace. A foundational objective in our clean energy transition is ensuring all our customers benefit.

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 Intergovernmental Panel on Climate Change (IPCC). 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 reductions consistent with limiting global warming to 1.5 degrees Celsius. Visit [mge.com/netzeroreport](https://mge.com/netzeroreport) for more information.

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

Risk Management	Highlights
<p>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.</p> <p>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. This includes existing and emerging risks related to climate, environmental performance and sustainability.</p> <p><i>For more information, see pages 5 and 6 of this template and the <b>Governance and Oversight</b> section of our 2021 Corporate Responsibility and Sustainability Report.</i></p>	<p>The Board of Directors 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.</p> <p>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.</p> <p>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.</p> <p>The company's Internal Audit department, on behalf of MGE management and the Board of Directors' Audit Committee, conducts an annual Enterprise Risk Management meeting with each officer of the company.</p> <p>In 2017, MGE expanded the scope of its renewed five-year contract with the Wisconsin Department of Natural Resources for its Green Tier certification, which recognizes environmental leadership. The primary goal in the expanded contract is to cover all MGE operations under the company's Environmental Management System (EMS). An independent third party's expertise in risk management and compliance is helping MGE to identify operational and environmental risks and to evaluate those risks under the scope of the expanded EMS. The EMS has a risk profile or scoring convention to evaluate risks consistent with how the company assesses risk throughout the organization.</p>
Metrics and Targets	Highlights
<p>MGE is working to achieve deep decarbonization, consistent with current climate science, as quickly and as cost-effectively as we can. Our carbon reduction progress and targets, and the addition of renewable resources, reflect our vision and signal our direction but do not determine our pace.</p> <p>MGE also is a leader in safety and reliability, with consistently top-ranked electric reliability when compared to utilities across the nation.</p> <p><i>For more information, see pages 7, 8, 11 and 12 of this template, the <b>Strategy and Climate</b> and <b>Safety and Operations</b> sections of our 2021 Corporate Responsibility and Sustainability Report, and our 2021 EEL Quantitative Template.</i></p>	<p>MGE is working together with our customers toward net-zero carbon electricity by 2050. We expect to achieve carbon reductions of at least 65% by 2030, consistent with global climate science. MGE already has reduced carbon emissions 30% from 2005 levels.</p> <p>MGE is decarbonizing its electricity generation, projecting an estimated total investment of \$565 million in nearly 400 megawatts (MW) of wind, solar and battery storage between 2015 and 2024.</p> <p>As a minority owner, MGE is working with the co-owners of the Columbia Energy Center to retire the coal-fired plant by the end of 2024, 15 years ahead of schedule.</p> <p>By 2030, MGE's remaining use of coal is expected to be reduced substantially. We expect to eliminate coal as an energy source by 2035 when the jointly owned Elm Road Generating Station stops using coal. MGE is a minority owner of the plant.</p> <p>In 2020, MGE employees achieved historic safety results. Despite working through a global pandemic, we recorded our lowest-ever recordable incident rate.</p> <p>In 2020, MGE experienced a record-breaking year for electric reliability, recording its best performance ever. MGE saw both the fewest number of outages and the shortest duration of outages per customer in 2020.</p>

## Governance

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.

Please visit us online at [mgeenergy.com/environment](https://mgeenergy.com/environment) to read the annual Corporate Responsibility and Sustainability Report, which has more information about our projects, programs and initiatives. Additional disclosures can be found in our 10-K and 10-Q, Proxy Statement and filings with the Public Service Commission of Wisconsin.

### A culture of diversity, equity and inclusion

At MGE, we value diversity, equity and inclusion. MGE promotes an inclusive, respectful work environment where individuals and groups can achieve their full potential. We support all employees and provide equitable access to employment and development opportunities. MGE's goal is to create a healthy, inclusive, safe and productive work environment for all. Visit [mge.com/DEI](https://mge.com/DEI) to read our Diversity, Equity and Inclusion Statement.

### Our board

Our Board of Directors has a commitment to corporate responsibility and accountability. Community-focused and with a breadth and diversity of experience, board members bring strong, effective oversight in their service to MGE and MGE Energy. For more information about our board, review the [Governance and Oversight](#) section of our [2021 Corporate Responsibility and Sustainability Report](#).

#### Our board

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

##### *Corporate Governance Committee*

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

##### *Audit Committee*

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

##### *Compensation Committee*

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

##### *Executive Committee*

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

## Risk assessment and oversight

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 climate, environmental performance and sustainability, among other risks. For more information on risk assessment and oversight, review the *Governance and Oversight* section of our *2021 Corporate Responsibility and Sustainability Report*.

## Oversight of environmental, social and governance (ESG) matters

Board oversight includes review of climate-related and environmental risks and mitigation as well as assessment of current and/or future environmental regulations. It also includes review of the company’s environmental and sustainability performance.

MGE’s employee-led Sustainability Steering Team serves to help ensure the company takes a global and proactive approach to sustainability throughout the organization. The Sustainability Steering Team is overseen by MGE’s Executive Sustainability Team, which has officer representation from across MGE and which keeps the Board of Directors informed of the company’s progress. More information about the structure and purpose of the Sustainability Steering Team is available in the *Employees, Customers and Communities* section of the *2021 Corporate Responsibility and Sustainability Report*.





## Environmental Management System

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

The expanded scope of our EMS captures environmental improvements across the company and further demonstrates our commitment to goal-setting and environmental accountability.

## EMS goals, targets and action plans

As part of our EMS expansion, MGE's Sustainability Steering Team developed environmental goals, targets and action plans for 2020-2021. These were informed by MGE's Environmental and Sustainability Policy and work done by staff in our operations areas to evaluate and rank MGE's operational environmental impacts. See the *Safety and Operations* section of our *2021 Corporate Responsibility and Sustainability Report* for progress on existing goals and for a list of additional goals adopted by the Sustainability Steering Team in late 2021.

## Third-party benchmarking

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

## Green Masters program

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

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

## Energy Sustainability Interest Group

MGE partners with the Electric Power Research Institute (EPRI) in a number of areas, including the Energy Sustainability Interest Group (ESIG). ESIG is the largest sustainability-focused group of its kind in the electric power industry. ESIG projects focus on priority issues, goals, metrics and sustainability communication for the electric power industry and its stakeholders. The project work may be utilized by group members to inform the development of their own sustainability programs and initiatives. Launched in 2008, ESIG has more than 40 members from the electric power industry.

## Sustainability benchmarking

In 2020, EPRI marked its seventh year of an ongoing effort to identify and understand metrics appropriate for benchmarking the performance of electric power companies on their priority sustainability issues. MGE has participated in this EPRI benchmarking since it began in 2014. The Sustainability Benchmarking for Utilities project is conducted in collaboration with the previously mentioned ESIG and subject matter experts throughout EPRI.

## Strategy

### Partnering to build a bright future

One of the most significant actions an electric utility company can take to address climate-related risks is to significantly reduce carbon emissions associated with the production of electricity. MGE is committed to working with our customers to transition to a cleaner, smarter energy future with greater use of renewable resources while maintaining our top-ranked reliability.

### Goal of net-zero carbon electricity by 2050

We are working to achieve deep decarbonization, consistent with current climate science, as quickly and as cost-effectively as we can. Our net-zero carbon goal reflects our vision and signals our direction but does not determine our pace.

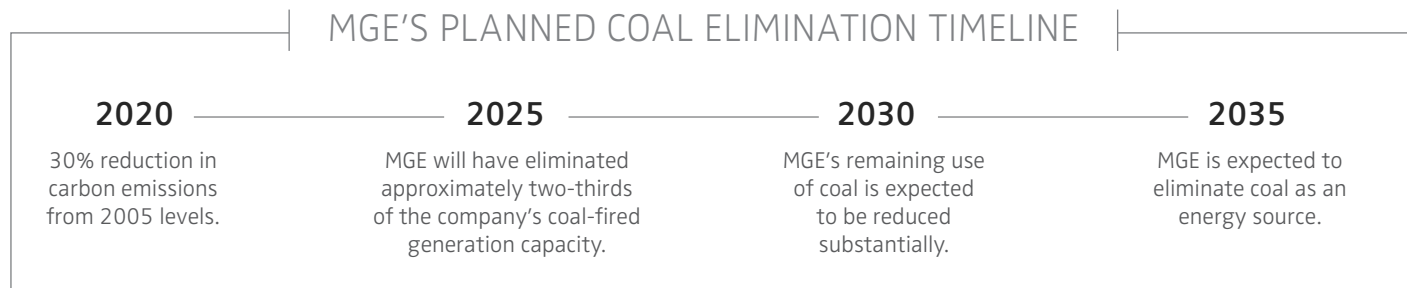
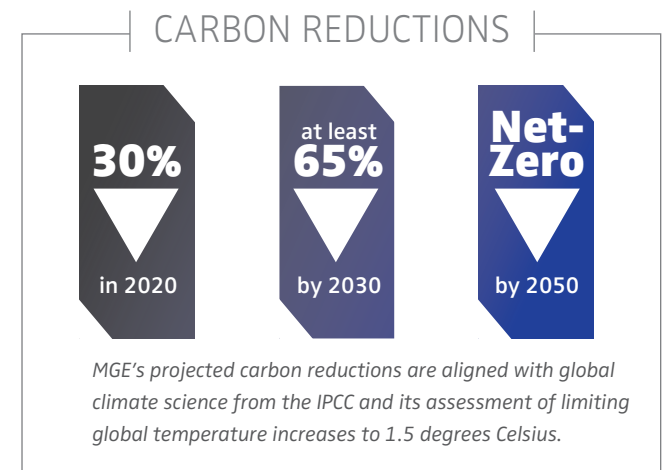
In 2019, MGE began working with the University of Wisconsin-Madison's Nelson Institute for Environmental Studies to evaluate the company's goal of net-zero carbon electricity by 2050. The analysis was done within the context of the October 2018 special report on global warming of 1.5 degrees Celsius by the Intergovernmental Panel on Climate Change (IPCC).

The models suggested that by 2050, emissions from electricity generation in industrialized countries should be 87% to 99% lower than the 2005 baseline. MGE's plan for net-zero carbon emissions by 2050 is a 100% reduction from 2005 levels and reflects carbon reductions consistent with limiting global warming to 1.5 degrees Celsius.

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

### Plans to eliminate coal as an energy source by 2035

By 2025, with the planned retirement of both units at the Columbia Energy Center, MGE will have eliminated approximately two-thirds of the company's coal-fired generation capacity. And with plans for the Elm Road Generating Station to transition to natural gas as its primary fuel source, MGE is expected to eliminate coal as an energy source by 2035.



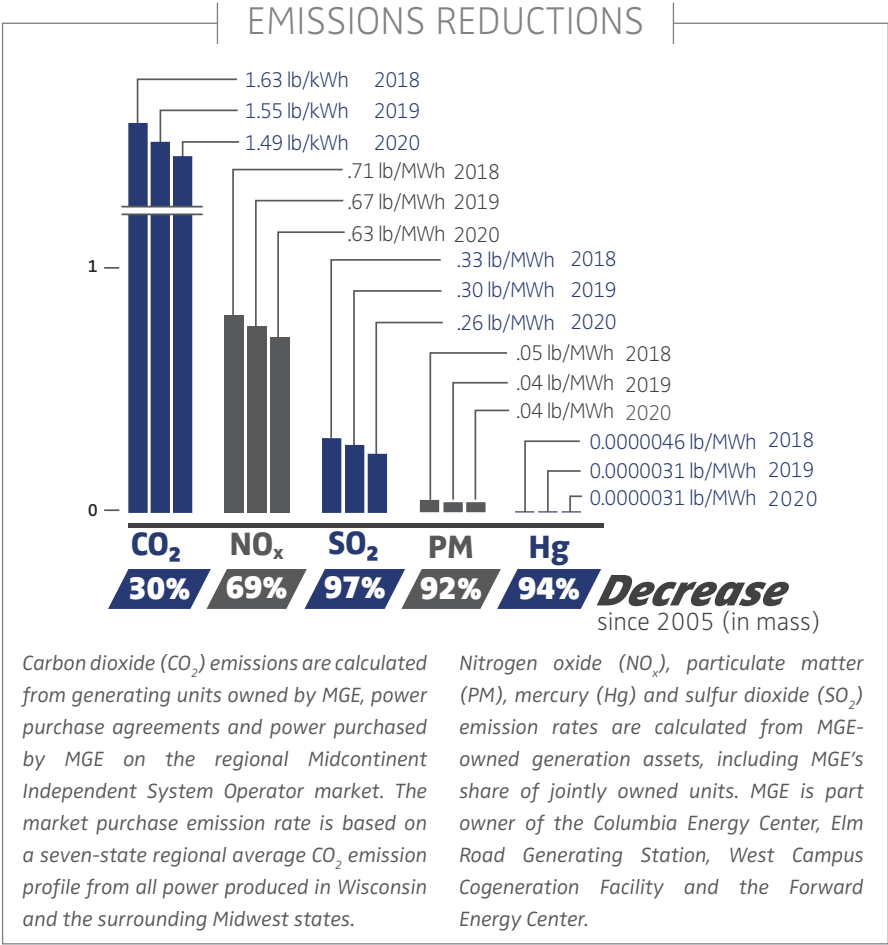
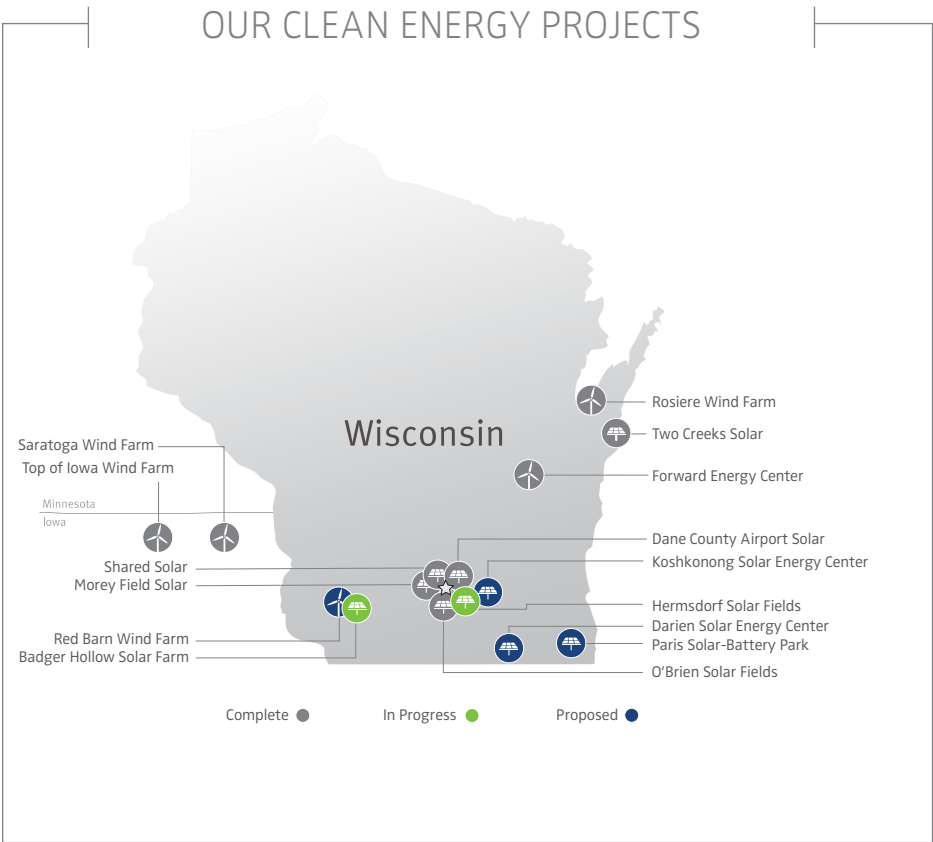
## Reducing emissions

As we work toward our ambitious goal of net-zero carbon electricity by 2050, we continue to make significant investments in local and regional, cost-effective renewable generation. Ensuring that new and changing technology serves all customers equitably is one of our key objectives under our Energy 2030 framework for a more sustainable future. We are working to build a smarter, cleaner community grid that serves to benefit all customers.

## Plans to add more renewable generation and battery storage

In 2021 alone, MGE has introduced plans for more than 80 MW of new wind and solar and 35 MW of battery storage. These investments to serve all customers will help meet future energy and capacity needs cost-effectively with the planned early retirement of the coal-fired Columbia Energy Center. MGE is a minority owner of the plant, which we intend to fully retire by the end of 2024, 15 years ahead of schedule.

Since announcing our Energy 2030 framework in November 2015, we have developed projects that will increase our owned renewable capacity by about nine times by the end of 2024.





## Partnering with customers to grow renewable energy

### Renewable Energy Rider

Our Renewable Energy Rider (RER) gives MGE and larger business customers who seek customized renewable energy solutions the opportunity to partner to grow locally generated renewable energy. The program is designed to meet the needs and goals of companies that support or have signed on to the Corporate Renewable Energy Buyers' Principles, a collaboration facilitated by the World Resources Institute and the World Wildlife Fund. MGE has built nearly 40 MW of solar capacity under RER agreements since earning regulatory approval in 2017 to begin offering this clean energy option.

### Shared Solar

In 2020, a 5-MW array came online to expand 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. The voluntary program began in early 2017 with a 500-kilowatt (kW) array in the city of Middleton, Wis.

### Green pricing program

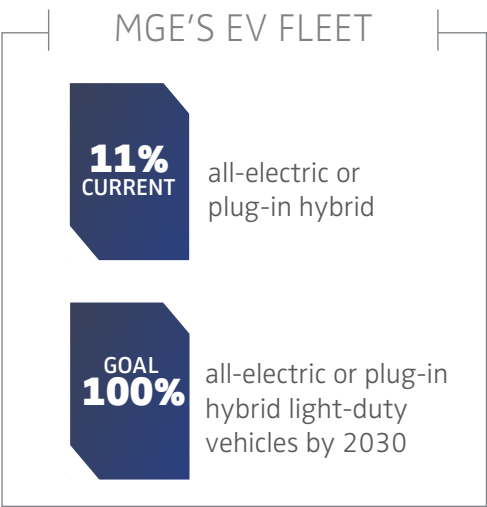
Green Power Tomorrow (GPT) is our green pricing program. At a penny more per kWh, GPT is a convenient and effective way for customers to support local and regional renewable energy and offset their greenhouse gas emissions. Today, more than 10,300 customers buy green power through this program. The program is largely served by our wind resources in the region.

## 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. See the *Strategy and Climate* section of our *2021 Corporate Responsibility and Sustainability Report* for more information on our efforts to help our customers better manage their energy use.

## Leading the charge for transportation electrification

The electrification of transportation is another key strategy for reducing carbon emissions. MGE is prepared to meet transportation electrification needs 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. See the *Strategy and Climate* section of our *2021 Corporate Responsibility and Sustainability Report* for more information on our programs and resources to help advance electrification.



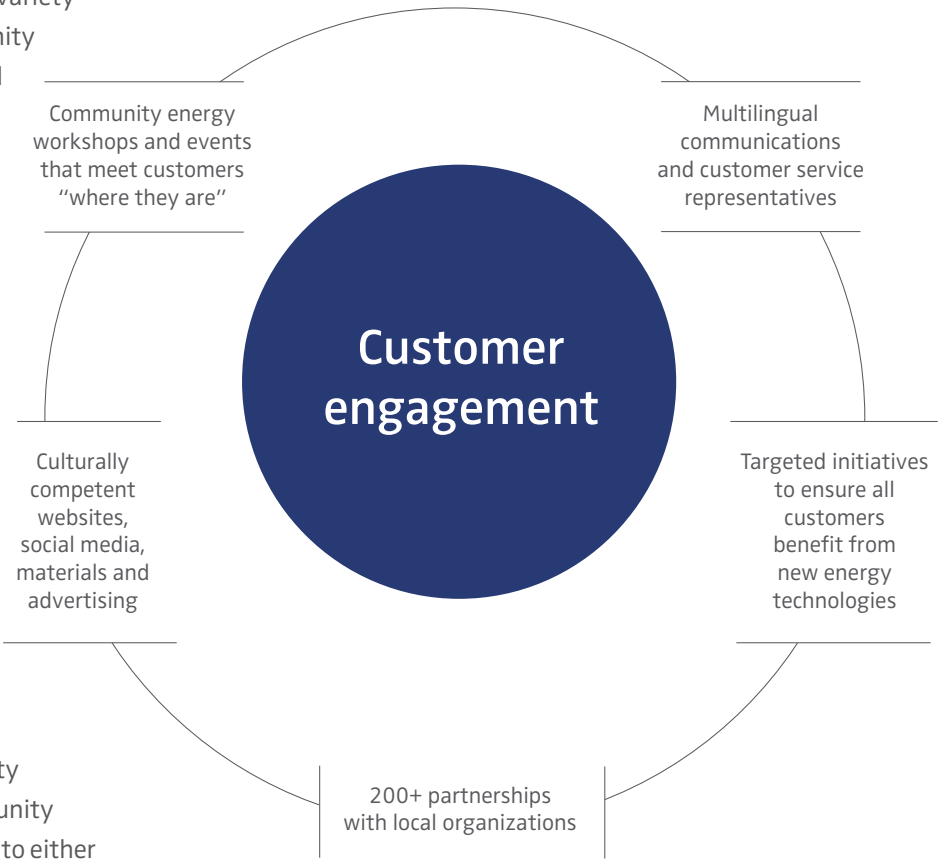
## Engaging and serving our diverse customer base

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

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

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

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



## Engaging our employees

We believe it is 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 is an online resource available to all MGE employees. A cloud-based tool, it contains a vast library of courses. It also has a section dedicated to information about inclusion, diversity, discrimination and harassment. In the Stronger Together section, employees can find courses, articles, podcasts and more.



## Metrics

### EEl Quantitative Template

Each year, MGE publishes an EEl Quantitative Template, which includes data related to MGE's energy portfolio (generation and capacity), emissions, capital expenditures, and human and natural resources. The 2021 template is available at [mgeenergy.com](https://mgeenergy.com).

### Safety performance

Safety is a core value at MGE. We embrace a philosophy of continuous improvement in our journey toward safety excellence.

### We power safety

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

In 2020, our employees achieved historic safety results. Despite working through a global pandemic, we recorded our lowest-ever recordable incident rate of 1.17, topping our previous record from 2019.

### Safety awards

In spring 2021, MGE received the Wisconsin Safety Council's 2020 Wisconsin Corporate Safety Award. The selection committee reviewed statistical data relating to incident rates for the previous three years and health and safety in MGE's workplace.

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

### Preventing sprains and strains

MGE supports employees through a partnership with Briotix Health, a workplace injury prevention sports medicine provider that employs athletic 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.

## SAFETY PERFORMANCE



40%  
decline in  
total injuries  
since 2016

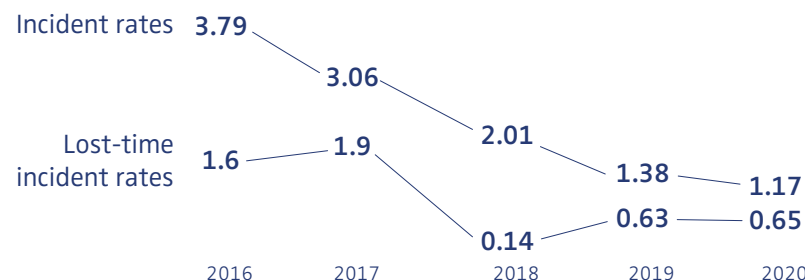


60%  
decline in OSHA  
recordable  
injuries since  
2016

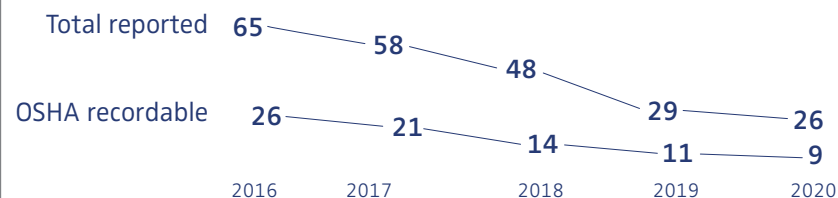


0  
fatalities  
since 2003

## SAFETY TRENDS



## TOTAL INJURIES



## DART INCIDENT RATE



## REDUCING SPRAINS AND STRAINS ON THE JOB

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

## Electric reliability

MGE is a national leader in electric reliability. We are committed to transitioning to greater use of renewable resources while maintaining our top-ranked reliability. According to an annual industry survey, including more than 75 electric utilities nationwide, in 2020, MGE’s electric service reliability ranked number one in the country for both the fewest number of outages and shortest duration of outages per customer.

## Providing safe, reliable natural gas

When notified of a potential natural gas emergency, MGE crews continue to earn high marks. In 2020, our total response time ranks in the top 12% of a nationwide industry survey. This ranking is reflective of our dedicated employees who always put customer safety first and understand what it means to serve as your community energy company.

## 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.

## Suppliers’ commitment to sustainability

MGE contracts with two natural gas transmission companies, Northern Natural and ANR Pipeline Company, owned by TC Energy. Both of these companies, as part of their sustainability commitments, are part of the ONE Future Coalition. ONE Future is the trade name for “Our Nation’s Energy Future Coalition, Inc.” This group of more than 45 natural gas companies works together to voluntarily reduce methane emissions across the natural gas supply chain to 1% or less by 2025. In its 2020 report, ONE Future registered a methane intensity number of 0.334%, beating its 1% goal by 67%.

As part of our EMS expansion and commitment to continuous improvement, MGE’s Sustainability Steering Team develops environmental goals, targets and action plans, one of which is to perform an analysis of the company’s Scope 3 emissions in 2022. This analysis will inform future goal-setting related to MGE’s natural gas distribution. See the *Safety and Operations* section of our *2021 Corporate Responsibility and Sustainability Report* for our additional goals and progress on existing goals.

### SAIDI & SAIFI RELIABILITY TREND DATA

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

	2018	2019	2020	
SAIFI	0.41	0.68	0.24	Outage frequency
SAIDI	57	74	27	Minutes

### 2020 RECYCLING

.58	tons of alkaline batteries
6.11	tons of e-waste
72	tons of wood pallets
152.9	tons of all-in-one office recycling
571.3	tons of metal