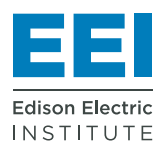




Madison Gas and Electric
Your Community Energy Company



Madison Gas and Electric (MGE) generates and distributes electricity to 155,000 customers in Dane County and purchases and distributes natural gas to 163,000 customers in seven south-central and western Wisconsin counties. MGE is a subsidiary of MGE Energy (Nasdaq: MGEE), an investor-owned public utility holding company based in Madison, Wis. MGE's roots in the Madison area date back more than 150 years.



Madison Gas and Electric's
2020 EEI ESG/sustainability
qualitative template

Powering a Sustainable Future

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



MGE is committed to working with our customers to 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 carbon reduction goals reflect our vision and signal our direction but do not determine our pace.

In November 2015, we committed to reducing carbon emissions at least 40% by 2030 (from 2005 levels), consistent with the Paris Agreement on climate change. MGE already has reduced carbon emissions more than 20% since 2005. Consistent with current climate science, we expect to achieve carbon reductions of 65% by 2030. 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.

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. MGE was one of the first utilities to commit to net-zero carbon by mid-century. To achieve deep decarbonization, MGE is growing its use of renewable energy, engaging customers around energy efficiency and working to electrify transportation, all of which are key strategies identified by the IPCC.

Partnership with the UW-Madison

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 IPCC's October 2018 special report on global warming of 1.5 degrees Celsius. She determined MGE's goal is in line with or more aggressive than model benchmarks to prevent the most severe impacts of climate change. 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. 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.

Our Strategies

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.



Growing our use of clean energy

Since announcing our Energy 2030 framework in November 2015, we have developed projects that will increase our owned renewable capacity by roughly 650% by the end of 2022. Growing our use of renewable resources to serve all customers is one of our strategies for achieving net-zero carbon electricity by 2050.

Recent clean energy projects

- Purchasing 100 megawatts (MW) of solar capacity from the Badger Hollow Solar Farm under construction in Iowa County, Wis.
- Purchasing 50 MW of solar capacity from the Two Creeks Solar project, which came online in early November 2020.
- Beginning construction on the 20-MW O'Brien Solar Fields project in Fitchburg, Wis.
- 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 by the end of 2020.
- Expanding our highly successful community solar program, Shared Solar, with a 5-MW solar array in Middleton, Wis. The array also serves two major customers under our Renewable Energy Rider (RER) program (see page 4 for more information).



Partnering with customers to grow renewable energy

Renewable Energy Rider

Our innovative program gives MGE the ability to partner with larger 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. This includes a proposal to serve the City of Madison and the Madison Metropolitan School District with an 8-MW solar project.

Shared Solar

MGE's Shared Solar program 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.

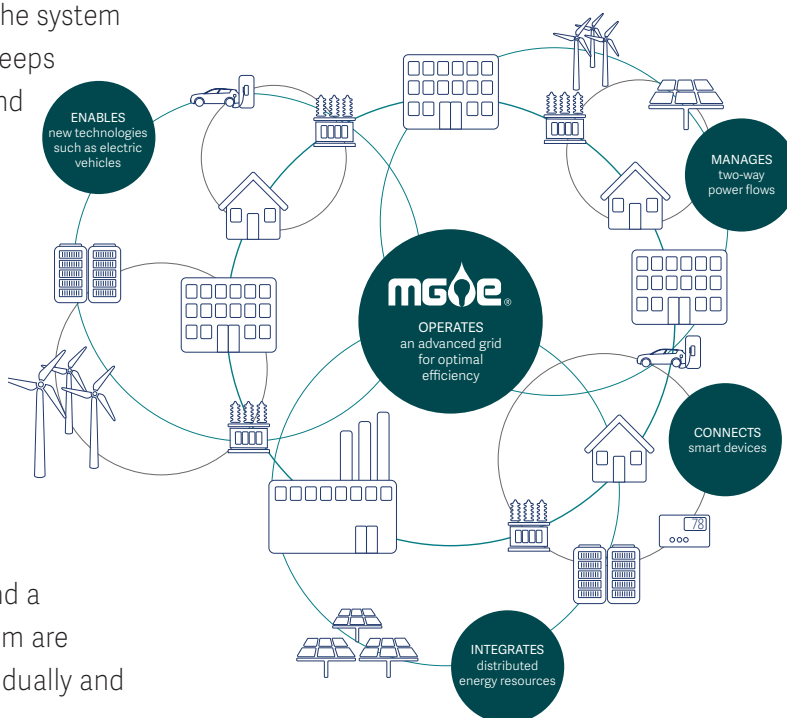
Green Power Tomorrow

Green Power Tomorrow (GPT) is our green pricing program. At a penny more per kilowatt-hour, GPT is a convenient and effective way for customers to support renewable energy and offset their greenhouse gas emissions. More than 9,800 customers buy green power through this program, which is largely served by our wind resources in the region.

A modern grid for the utility of the future

We're investing in the systems and capabilities to enable an advanced electric grid that supports new technology such as distributed energy sources like solar and battery storage. As the public utility and "conductor" of our community grid, MGE has an important role to play to ensure that the system develops and operates in a way that keeps electricity safe, reliable, sustainable and affordable and that enables these new resources and technologies to be harnessed for the benefit of all customers.

By serving as this conductor for our community grid, MGE is able to 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 are then captured for all customers, individually and collectively.



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.

- More than 800 households currently 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 received approval from state regulators to expand the program to up to 2,500 devices in 2021.
- 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. In 2019, 8% of MGE customers received almost \$5 million in financial incentives from Focus on Energy.
- 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.

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.

- MGE helps to educate customers, businesses and the community at-large about the benefits of electric vehicles (EVs). MGE's [LovEV website](#) is an easy online stop to learn about the EV experience, including options for charging such as MGE's Charge@Home program for residential customers seeking faster charging at home.
- MGE continues to add cleaner vehicles to our fleet, where possible. We 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.
- MGE works with employers, multifamily properties and fleet operations to grow the use of EVs and to enable convenient charging options.

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

Working with transportation stakeholders

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

Providing safe, reliable natural gas

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.

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. 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. Partners in this voluntary program report systemic and comprehensive actions to reduce methane emissions as part of efforts to enhance transparency in the industry.

Companywide sustainability initiatives

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

Third-party benchmarking

MGE voluntarily participates in two statewide environmental performance programs. MGE has achieved the highest designations from both programs. In 2020, MGE:

- Earned the Green Master designation for the seventh consecutive year from the Wisconsin Sustainable Business Council. The voluntary statewide benchmarking program evaluates participants in nine key areas related to sustainability. Only the top 20 percent of applying companies receive the Green Master designation. MGE was the first utility to be awarded the distinction in 2014.
- Continued efforts to expand the scope of our renewed five-year contract with the Wisconsin Department of Natural Resources for its Green Tier certification. MGE was the first electric utility to take part in the pilot program and remains the only electric utility to be certified at the highest level of Green Tier. 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 is employing an independent third party to oversee the expansion of the company's EMS. The independent third-party's expertise in risk management and compliance is helping MGE to identify operational and environmental risks and to evaluate those risks under the scope of the expanded EMS.
- Participated in the Electric Power Research Institute's (EPRI) efforts 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.



GREEN TIER

A DNR Program for
Superior Environmental Performance



Employees, Customers and Communities

As your community energy company, we engage our employees, customers and communities. Working together is how we achieve our goals and strengthen our communities for the benefit of all we serve.



Responding to the COVID-19 pandemic

As a utility, MGE prepares for the unexpected. MGE activated its business continuity plans to address the challenges of the COVID-19 pandemic and to provide for the safety and protection of employees, customers and broader community.

- While following the guidance of the state and local officials, the Cybersecurity and Infrastructure Security Agency, the Centers for Disease Control and Prevention and the Wisconsin Department of Health Services, MGE developed a framework to guide decisions regarding the criticality of operations work to be completed and the manner in which it would occur to ensure the health and safety of employees and customers.
- Throughout the public health emergency, MGE continued to provide safe and reliable service and continued the company's long-standing commitment to work with customers experiencing hardship. 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.

The MGE Foundation contributed more than \$200,000 toward local relief efforts. And, in a new virtual environment, MGE's marketing and community services teams expanded the ways in which MGE could connect with and engage our customers safely. Please see our 2020 Corporate Responsibility and Sustainability Report at mgeenergy.com/environment for additional details regarding our response to COVID-19.

Supporting our community

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

- Charitable giving by the MGE Foundation. Established in 1967, the Foundation is our philanthropic arm. Throughout 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. Visit mge.com/foundation to read our Annual Report on Giving.
- Corporate giving by MGE through partnerships, collaborations and projects with local organizations and stakeholders.
- Volunteerism and service of our valued employees.

United Way

MGE is a longtime supporter of the United Way of Dane County. MGE consistently ranks among the top 10 companies in total donations to the United Way of Dane County. In 2020, MGE and our generous employees and retirees gave more than \$280,000 to the local campaign.

Engaging our customers

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 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.



Online resources

MGE shares energy-saving tips, tools and information on our social media channels and online at:

- mge.com
- mge2050.com
- genre2030.com
- livinginbalancemadison.com

Companywide safety initiatives

Safety is a core value at MGE. Employees embrace our philosophy of continuous improvement.

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 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. 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.
- In 2017, an employee-led CI Team developed a proactive near-miss/good catch reporting process to encourage reporting that identifies, documents, addresses and allows everyone to learn from safety impacts in a safe, no-blame environment. In three years of using the near-miss/good catch process, more than 150 reports have been filed 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.



Governance

Corporate responsibility, sustainability and environmental accountability are core focuses throughout our company. Strong oversight by our Board of Directors, our board's engagement with management and our participation in third-party benchmarking and evaluation programs help us assess our performance and promote continuous improvement in our proactive approach to sustainability.



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 to read our Diversity, Equity and Inclusion Statement.

Our board

Community-focused and with a breadth and diversity of experience, board members bring strong, effective oversight in their service to MGE and MGE Energy. 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.

The board makes an annual assessment of the independence of directors under the independence guidelines adopted by Nasdaq Stock Market, Inc. 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.

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 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.
- 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. 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.

Transparency and disclosure

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

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

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