MGE

2022 Corporate Responsibility and Sustainability Report

Sustainability Snapshot

Safe, reliable, affordable and sustainable energy powers our communities. By growing our use of clean energy, advancing energy efficiency and electrifying transportation, we can meet our goal of deep carbon reductions by 2030 and net-zero carbon electricity by 2050.

Net-zero carbon electricity

MGE was one of the first utilities in the nation to commit to carbon reduction goals consistent with climate science. Our goals reflect our vision and signal our direction but do not determine our pace. 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.
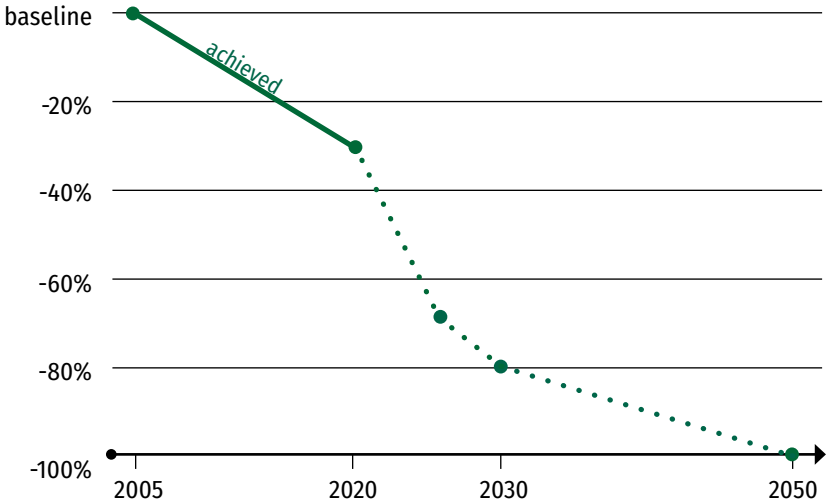
In May 2019, MGE announced a goal of net-zero carbon electricity by 2050, which aligns with the Intergovernmental Panel on Climate Change (IPCC) and its assessment of limiting global temperature increases to 1.5 degrees Celsius. Consistent with climate science, we have committed to reducing carbon at least 80% by 2030, based on 2005 levels, as we work toward net-zero carbon electricity.

Since 2005, MGE has reduced its carbon emissions by 27%. For emissions data reporting, see MGE's Edison Electric Institute (EEI) ESG/sustainability reporting quantitative template in our ESG Data Center.

Carbon reduction goals

- **80%** reduction in carbon by 2030
- **NET-ZERO** carbon by 2050

*Actual results may differ from projections.

Third-party analysis of our net-zero carbon goal

In 2020, the University of Wisconsin-Madison's Nelson Institute for Environmental Studies published its analysis of MGE's goal of net-zero carbon electricity by 2050. The study was done within the context of the October 2018 special report by the IPCC on global warming of 1.5 degrees Celsius.

> 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.

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. The UW-Madison report is available at mge.com/netzeroreport.

Read more about our partnership with climate experts at the UW-Madison's Nelson Institute.

Our clean energy transition

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

- Transitioning to a more sustainable energy supply.
- Giving customers more control around energy.
- Reducing costs by managing our collective use of energy.
- Building a dynamic, integrated grid to enable new technology.

- Ensuring that all customers benefit from changing technology.
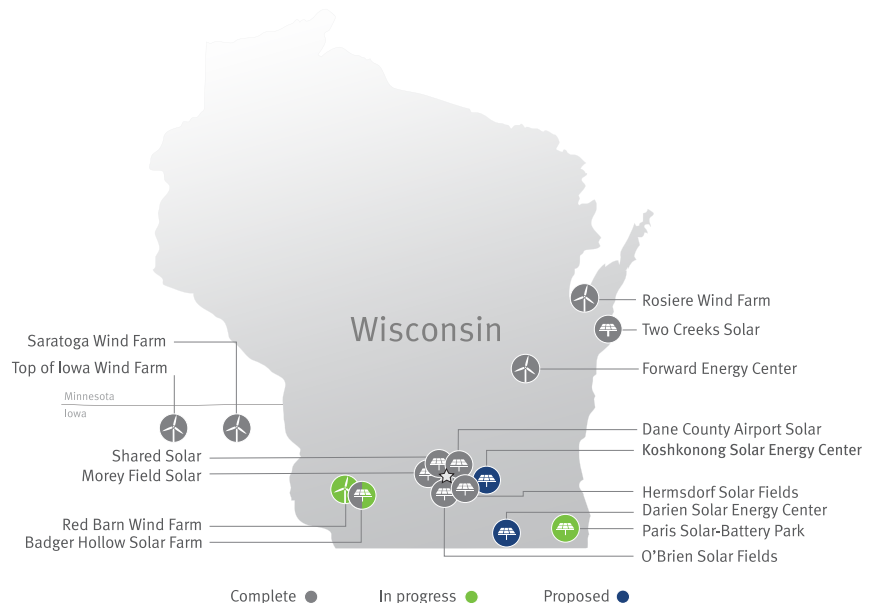- Deepening our engagement with the community.

Our decarbonization strategies

Growing our use of renewable energy

Since 2015, MGE has announced projects that are expected to increase the company's owned renewable generation capacity by more than nine times when completed. MGE looks forward to additional cost-effective, clean energy investments beyond what is currently planned. See our Clean Energy section for more information about our recent renewable energy projects.

Our clean energy projects

Saratoga Wind Farm
Top of Iowa Wind Farm
Minnesota
Iowa
Shared Solar
Morey Field Solar
Red Barn Wind Farm
Badger Hollow Solar Farm

Wisconsin

Rosiere Wind Farm
Two Creeks Solar
Forward Energy Center
Dane County Airport Solar
Koshkonong Solar Energy Center
Hermsdorf Solar Fields
Darien Solar Energy Center
Paris Solar-Battery Park
O'Brien Solar Fields

Complete ●   In progress ●   Proposed ●

Engaging around energy efficiency and conservation

Energy efficiency is a key strategy for reducing carbon emissions. MGE is committed to providing customers with the programs, products and services, as well as tools and resources, 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 customer programs and pilot 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.

Read more about how we are working together to advance shared sustainability goals in the Energy efficiency and conservation section of our Corporate Responsibility and Sustainability Report.

Advancing electrification

The electrification of transportation and other end uses is a key strategy for reducing carbon emissions. We are working with customers, municipalities and other community partners to grow the use of electric vehicles (EV), electrify fleets and facilitate EV charging options with customers and throughout our community.

MGE is partnering with EEI and more than 60 other electric companies across the country in support of the National Electric Highway Coalition (NEHC). The NEHC is committed to quick and convenient EV charging along major U.S. travel corridors by the end of 2023.

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.

MGE's EV fleet goal

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

MGE's light-duty fleet

+30% all-electric or plug-in hybrid as of today

Top-ranked reliability

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

According to results from an annual industry survey including more than 75 electric utilities nationwide, in 2021, MGE placed first in the two main industry reliability metrics—fewest number of outages (SAIFI) and shortest duration of outages per customer (SAIDI).

SAIFI, which measures the frequency of customer outages, was 0.28 in 2021, meaning MGE customers experience, on average, about one outage every four years. SAIDI, which measures total customer outage time, was 39.6 minutes in 2021.

	2019	2020	2021	
SAIFI	**0.68**	**0.24**	**0.28**	*Outage frequency*
SAIDI	**74**	**27**	**40**	*Minutes*

Commitment to safety

Our safety vision statement—*we power safety*—is highly visible throughout our organization. In 2021, while working more than 1.5 million hours, we recorded our third-lowest recordable incident rate and our fifth best lost-time incident rate since we started keeping records in 1971.

As part of our ongoing commitment to safety, in 2022, the company approved our Occupational Health and Safety Policy. Read more about our safety performance.

Board oversight

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 to assess our performance and promote continuous improvement. We take a proactive approach to environmental, social and governance (ESG) matters; corporate responsibility and company-wide sustainability; risk assessment and mitigation; and long-term strategy. Board oversight includes assessment of current and/or future environmental regulations and review of environmental risk and mitigation. It also includes review of the company's environmental and sustainability performance and of this report every year. See the Governance section of this report for information about our corporate practices.

Sustainability governance

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 and receives guidance from 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 Governance section of this report.

To read our Environmental and Sustainability Policy, see the Environmental section.

Sustainability Executive Team
provides guidance and oversight.

Sustainability Steering Team

A number of departments serve to provide input and direction, including Safety, Sustainability and Environmental Affairs; Energy Production; Facilities Management; Finance; Human Resources; Internal Audit; Legal; Operations; Marketing and Corporate Communications; Records Management; and Supply Chain

Continuous Improvement Teams

Engagement on ESG reporting and benchmarking

EMS Process
See EMS graphic in Governance.

Environmental Management System

MGE is in our third year of our Environmental Management System (EMS) having expanded to cover all company operations. MGE's EMS is audited annually by a third-party auditor that is approved by the State of Wisconsin as part of the company's participation in the Wisconsin Department of Natural Resources' (WDNR)

GREEN TIER

A DNR Program for Superior Environmental Performance

Green Tier program. In addition to the external EMS audit, MGE hires a third-party compliance auditor to audit our environmental regulatory compliance in our operations areas as part of the Green Tier Program. We annually report our EMS performance and audit findings to the WDNR.

EMS goals

Our Sustainability Steering Team annually sets objectives, targets and action plans informed by our Environmental and Sustainability Policy and MGE's operational environmental impacts. A recently achieved EMS goal is the removal of transformers known to contain polychlorinated biphenyls (PCB). Removal of PCB-contaminated transformers is not required; however, MGE chose to remove them. As a result of this project, MGE safely disposed of more than 10,000 gallons of contaminated transformer oil, reducing potential impacts to our environment.

Included in our current list of EMS goals is an analysis of our Scope 3 greenhouse gas emissions. Scope 3 emissions are indirect emissions caused by what is referred to as "value chain" activities, such as purchases of materials, the creation of waste and how a company's product is used by its customers and consumers. This ongoing analysis will help us to consider ways to reduce our indirect impacts and to inform future goal setting related to our natural gas distribution.

Transparency and disclosures

To advance further transparency and disclosure in company operations and governance, MGE participates in EEI's voluntary and industry-specific ESG and sustainability-related reporting templates and submits data to the global environmental impact disclosure platform CDP (Carbon Disclosure Project). For our EEI reporting templates and CDP climate change questionnaire, visit our ESG Data Center.