

GROWING OUR IMPACT

SUSTAINABILITY REPORT 2021





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Growing Our Impact:

The Promise of Clean Energy

A Note from the CEO

Franklin Energy and our products division, AM Conservation Group, is undertaking what is perhaps the central challenge of our time – to help drive the transition to a net-zero carbon future while working to ensure that no families, businesses, or local communities are left behind.

To meet that challenge, we have become the utility industry's top provider of turnkey energy efficiency and grid optimization programs and products, all of which contribute to reducing carbon, environmental waste, and customer energy costs. At the same time, this work frees up resources for creating jobs and innovation-focused investment.

In 2020 we met the pandemic head-on, finding the agility and resilience to support our utility partners and continue delivering our programs and products safely with limited disruption—while creating an impact that was anything *but* limited.



Jim Madej, CEO

**In 2020 our
programs created
\$1 billion
in economic activity
in local communities.**

GROWING OUR IMPACT: THE PROMISE OF CLEAN ENERGY

We will be
carbon neutral by
2025.

On behalf of our utility partners, we served more than 3.6 million customers in 2020.

Their unique needs spanned commercial and industrial, small business, multifamily, and residential sectors and drove adoption of best-practice energy efficiency solutions.

That investment in time and resources generated more than \$1 billion in economic activity in the communities we serve across the U.S.

This work resulted in the reduction of 1.6 million metric tons of carbon, the equivalent of removing 325,000 cars from the road for a year.

The electricity savings exceeded 20 billion kWh, equal to powering more than 190,000 homes for a year.

But that was only in 2020. The *lifetime* impact of our water- and energy-efficient measures is even more impressive. (See page 6 for the details.)

In 2021 we concentrated on growing our awareness of the most informed environmental, social, and governance (ESG) standards, with special attention to those related to inclusion, equity and supply chain diversity.

With support from fleet, supply, human resources, and other key functions, we renewed and refocused our commitment to sustainably manage our operations across the U.S., comprised of over 1,300 energy experts in more than 40 offices and additional remote home-offices.

With aspirations outlined, our organization set ambitious ESG targets (shared in the following pages) tied to internationally recognized standards. I am proud of each of those targets and our team's commitments to making them real in our work every day.

The target that stands out, of course, is our commitment to become carbon-neutral by 2025. Given the immediate and growing threat of climate change, we feel duty-bound to meet, or better yet, exceed this target in the years ahead.

With equal parts humility, passion, and purpose, we commit not only to continue lowering the carbon impact of our utility partners' customers, but to scrutinizing and reducing the impact of our own operations.

We look forward to reporting our results a year from now.

Jim Madej, CEO

**We have set ambitious
ESG targets tied to
international standards.**

Growing Our Impact:

Driving Sustainability Leadership at Franklin Energy

A note from the Director of Corporate Affairs and Sustainability Leadership



Sustainability has been at the core of Franklin Energy's purpose since the company's inception in 1994, in a small Wisconsin town on the western shore of Lake Michigan. In the last 27 years, we have grown significantly.

Today we deliver more than 130 energy efficiency and grid optimization programs for over 60 utility partners nationwide, with more than 40 offices supplemented by warehouses on both coasts.

But a lot changed in 2020. At the start of the global pandemic, the U.S. saw the loss of more than 22 million jobs, almost three times the number lost in the so-called Great Recession a decade or so earlier. That deep economic pain and the disruption it caused in working families and communities shone a light on the importance of successful commerce within society.

At Franklin Energy, we already recognized the importance and magnitude of our impact and had been acting accordingly for more than a quarter century.

In 2020, for instance, our work contributed hundreds of millions of dollars in new economic activity and added more than 4,800 new jobs in communities across the nation.

FOUR PRIORITIES

1. Ensuring safety, health, & security
2. Championing our people
3. Enabling the clean energy transition
4. Building strong communities and local economies

Still, we felt a strong drive to raise our sights with an approach that was more strategic, intentional, and comprehensive.

So, in 2021, we moved to formalize sustainability efforts across our organization, using established protocols related to environmental, social, and governance standards.

Led by a new director of sustainability, Bridgid Lutz, our materiality assessment was appropriately illuminating (see details on page 13). The assessment informed four priorities for our sustainability work going forward: ensuring safety, health, and security; championing our people; enabling the clean energy transition; and building strong communities and local economies.

Given these priorities, we identified indicators and objectives to monitor and target, and we are installing automated, auditable processes and controls to report results in accordance with internationally recognized Global Reporting Initiative (GRI) standards. Additionally, Franklin Energy worked with sustainability experts at Pine Table Partners in the development of this report.

As we continue to grow and create more value for our stakeholders and their communities, we also expect our impact to grow as we, together, solve for healthy economic development, enduring social equity, and smart climate solutions.

We look forward to sharing our progress in 2022.

Jim Gould,
Director of Corporate Affairs
and Sustainability Leadership

Business Highlights:

Community Impact Review

In 2020:



WE DISTRIBUTED MORE THAN
\$240,000,000
in energy efficiency
incentives to customers



WE DISTRIBUTED
\$32,000,000
in incentives to
low-income customers



OUR WORK THROUGH OUR
CLIENT UTILITIES RESULTED
IN THE REDUCTION OF
1,600,000
metric tons of
carbon dioxide



MORE THAN
4,800
NEW JOBS
were created from
our work in 2020



OUR **1,300** ENERGY EFFICIENCY
EXPERTS SERVED OVER
3.6 MILLION
CUSTOMERS



ACROSS THE US, OUR PROGRAMS
IN LOCAL COMMUNITIES
CREATED ECONOMIC
ACTIVITY WORTH
\$1 BILLION

Over the lifetime of the water- and
energy-efficient measures we installed in 2020,
our clients and utility customers will save:



20 BILLION kWh
equivalent to powering
over 190,000 homes each year



1.5 BILLION therms
carbon equivalent to taking more than
325,000 cars off the road each year



110 BILLION gallons of water
equivalent to almost 170,000 Olympic-sized swimming pools

BUSINESS HIGHLIGHTS: BRINGING CUSTOMERS AND CLEAN ENERGY TOGETHER



Virtual Energy Solutions

Through our newly developed virtual solutions, KitPick™ and Curist™, Franklin Energy has served nearly 3 million utility customers across the country since the COVID-19 pandemic started, helping save energy without stepping foot in customers' homes. Through the delivery of energy efficiency kits and virtual energy audits, these solutions resulted in additional savings to our utility clients at a time when many energy-saving programs were shut down nationwide.



Utility Marketplaces

Our online marketplace solution helped catapult utilities through the pandemic by offering quality energy- and water-saving products through a trusted source. In 2020 we brought more value to our customers by increasing conversion rates by 132% and delivering a 19% decrease on cost per acquisition. Our marketplaces delivered more products and more savings at a lower cost.



EV Infrastructure

Franklin Energy is supporting an Upstate New York utility as they begin to build out the region's electrification infrastructure in anticipation of the wave of electric vehicles we expect to see on the road in the coming years. The program will install a total of 6,871 charging stations, contributing to the statewide electrification initiatives.



Efficiency Education

In 2020 our education programs provided free energy- and water-efficiency kits and vital behavior-change education to 1 million students across the country. Our fun and engaging programs help families lower their energy costs through self-installation of efficient measures, while encouraging multi-generational energy knowledge and lasting savings.



Controlled Environment Agriculture

Indoor agriculture, a.k.a. "controlled environment" agriculture, is experiencing exponential growth in the U.S. So far, their energy-intensive delivery models have been largely inefficient. Franklin Energy has begun to help many within this industry to recognize significant savings to help drive their competitiveness and reinvestment in innovation.



Demand Response

Through our smart thermostat-based demand response program, Franklin Energy has helped mid-west utility customers optimize energy use while allowing the utility to better manage peak demand. In addition to providing customer incentives and online store bundles, the program delivered on a 12.7 MW demand reduction goal.



Low-Income Communities

We have contributed to the health, safety, and energy efficiency of low-income communities across the nation by bridging the gap between deferred maintenance, home health needs, and energy efficiency programs. Our efforts have delivered on average 125kWh or 25 therms of savings per year to each participating home.



Workforce Development

In addition to assisting utilities nationwide in achieving load reduction goals, our workforce development programs have helped thousands of underprivileged youth gain job skills and certifications for a career in sustainability.



Telecommunications

Our dedication towards minimizing energy usage and optimizing telecommunications equipment to ensure safe and reliable communications nationwide has resulted in 70 GWh of lifetime energy savings, \$6,260,000 lifetime cost savings, and \$750,000 in annual paid incentives in the Midwest alone.

Our Approach:

Sustainability Governance

We have structured our sustainability governance to include all levels of the company, from top to bottom. In this manner, sustainability is embedded in all our practices and the decisions we make.

Sustainability Reporting

In 2021, as sustainability is fully integrated across our business functions, we will create auditable processes and controls to track and report results in accordance with internationally recognized standards.

1

Board of Directors

provides oversight to sustainability issues.

2

Executive Leadership

is responsible for successful execution of Franklin Energy's sustainability function.

3

Sustainability Department

is responsible for setting sustainability priorities and targets, for tracking data and reporting against these targets, and for working with business leaders across the company to integrate sustainability into business practices.

4

Sustainability Working Group

is comprised of employees from across all aspects of the organization. They provide input and guidance from their respective functional areas and advocacy for sustainability efforts.

5

Functional Business Leaders

provide data and other information required for sustainability tracking and reporting and are the experts who deploy the innovation needed to meet our ambitions and targets.

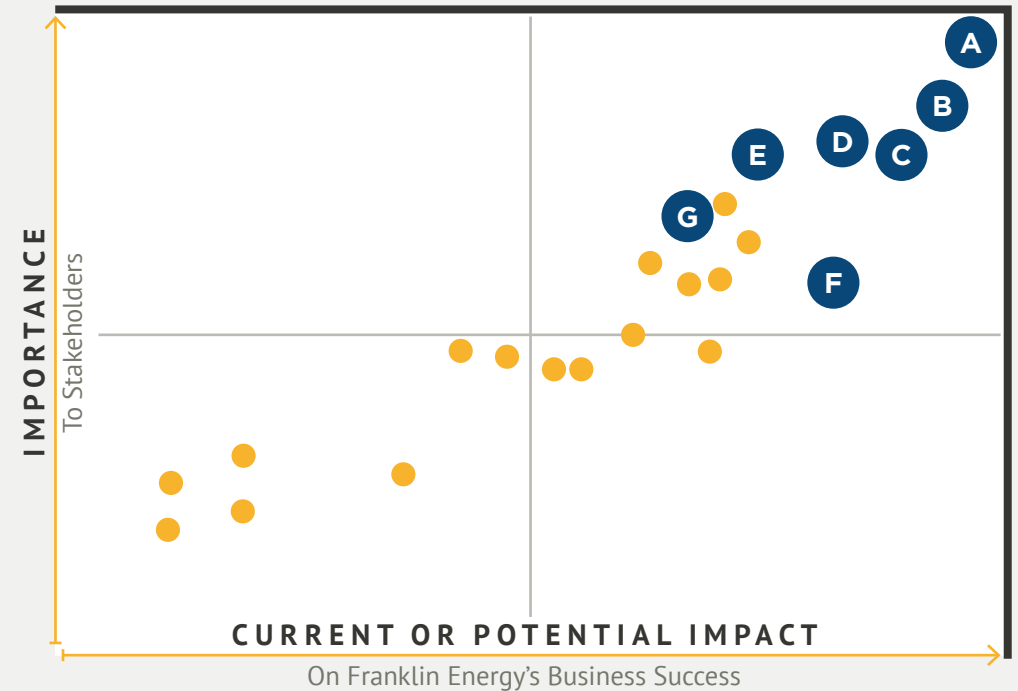
Our Approach:

Materiality Assessment Results

To inform our sustainability priorities and targets, we performed a materiality assessment of company-wide sustainability. In collaboration with a variety of stakeholders, this strategic approach allowed us to identify the issues that are most material to our business and the communities we serve.

As a result, we identified several key environmental, social, and governance issues on which to focus, and the results helped navigate a direction for our company's sustainability strategy.

The issues identified were grouped into seven categories: economic performance; safety, health, and security; customer privacy; climate change; supplier impact; diversity and equal opportunity; and environmental management systems and compliance.



MATERIALITY ISSUE

REPORT PRIORITY

A Safety, Health, and Security	Ensuring Safety, Health, and Security
C Customer Privacy	
F Diversity and Equal Opportunity	Championing Our People
D Climate Change	Enabling the Clean Energy Transition
E Environmental Management Systems & Compliance	
B Economic Performance	Building Strong Communities and Local Economies
G Supplier Impact	

● Additional Issues Considered

Our Priorities:

Ensuring Safety, Health, and Security

In 2020, our 1,300 energy efficiency experts served more than 3.6 million customers. With each of these interactions, we focused on keeping our people, our clients, and their customers safe and keeping personal information secure.



Safety, health, security, and customer privacy were ranked among the top issues that are material to our stakeholders. Our consistently strong safety record speaks to our laser-focus on employee and customer safety and health, and attention to detail that contributes to a deep culture of care.

Our key actions and goals in the coming year include:

- » Continuing to meet or exceed 95% participation for safety training sessions
- » Improving medical emergency preparedness
- » Providing accurate safety metrics reporting
- » Maintaining our vigilance regarding data security

We will maintain focus on safety for our employees, our clients, and their customers.

OUR PRIORITIES: ENSURING SAFETY, HEALTH, AND SECURITY

We will continue to train our employees and enforce stringent data security policies and protocols.



“Our safety record speaks to our laser-focus on safety.”

Safety Training

Our Training Department provides at least ten safety trainings each year. Five trainings are mandatory for all employees, and field staff must complete the entire ten. Our goal is to achieve 95% participation for each training provided.



Medical Emergency Preparedness

To ensure that our employees are prepared to face medical emergencies, we will offer first aid and CPR training at no cost to employees and provide Automated External Defibrillators (AEDs) and training protocol to our four largest facilities.



Accurate Safety Metric Reporting

In a continued effort to maintain our key focus on safety, we will continue to accurately track and report OSHA recordables, miles per responsible vehicle incidents, and other important safety metrics.



Data Security Focus

Our utility clients and their customers entrust us with access to sensitive data; we take this responsibility seriously and go to great lengths to protect it. To ensure our stringent policies and protocols are upheld and communicated clearly, we require all employees to complete annual data security training.



Our Priorities: Championing Our People

Championing our people means ensuring that our employees, suppliers, and partners are treated with respect and given the tools they need to advance our shared goals and values.



Our 1,300 energy experts are our most valuable asset.



Diversity and inclusion remain a priority in our business operations.

The associated material issues identified by our stakeholders include diversity and equal opportunity. Building a diverse and welcoming culture is critical to how we operate as an organization, and it is equally important to our clients.

Our key actions and goals in the coming years include:

- » Creating a national supplier and partner development program
- » Continuing to prioritize diversity and inclusion in our business operations
- » Aspiring to maintain an employee retention rate of 85% each year
- » Beginning a pay equity study and related work to determine where and when we may need to adjust compensation to increase retention, engagement, and market competitiveness in 2022
- » Re-establishing an employee discount program for purchases of energy- and water-saving products

OUR PRIORITIES: CHAMPIONING OUR PEOPLE

Our senior leadership is comprised of 70% women and minorities; our employee base is 60% women, people of color, veterans, people with a range of disabilities, and more.



Supplier and Partner Development Program

We are committed to strengthening relationships with our diverse partners. To ensure we are meeting their needs and providing the most robust support possible, we look forward to leveraging the creation of a supplier development program.

Diversity and Inclusion

Franklin Energy's senior leadership team is made up of 70% women and people of color. Our employee base is almost equally diverse, with 60% made

up of women and minorities. We believe that making the transition to a net-zero economy will largely be made possible by the culture of innovation that our inclusive workforce creates. Continuing to grow our diversity and create an environment that supports all people isn't just the right thing to do; it's essential to our success.

Employee Retention

We know our people are our greatest asset; without our wide range of experts, we would simply lack the skills and depth to achieve our business goals. We will

continue to attract and keep the best of the best with a goal to maintain an employee retention rate of at least 85% each year.

Employee Discount Program

Putting energy- and water-saving products into use is what we do. To provide our employees with increased access to these products and the benefits they provide, we will re-establish an employee discount on their purchases.

“Making the transition to a net-zero economy will largely be made possible by the culture of innovation that our inclusive workforce creates.”

Our Priorities:

Enabling the Clean Energy Transition

Our business is helping our utility partners and their customers save energy as part of the transition to a net-zero future. In 2020, our work through utility partners saved 20 billion kWh of electricity and 1.5 billion therms of natural gas. Together, these savings result in a net reduction of 1,600,000 metric tons of carbon dioxide.

As the lead provider of energy efficiency and grid optimization programs and products, we are proud to have the goal of removing more CO₂ than our operations produce.



Through the impact of our work, we are proud to be working towards a net CO₂ benefit, and are taking steps to continually reduce our internal footprint.

Energy- and climate-related emissions are among our most material sustainability issues. Not only are they critical to our business success, but they rank high in importance to our internal and external stakeholders.

Our key actions and goals in the coming year include:

- » Calculating our Scope 1, 2, and 3 footprint* in accordance with an internationally recognized methodology, with results to share in early 2022
- » Committing to developing a plan to significantly cut our Scope 1 and Scope 2 emissions
- » Achieving net zero emissions across Scopes 1, 2, and 3 by 2025

*See diagram on page 27.

OUR PRIORITIES: ENABLING THE CLEAN ENERGY TRANSITION

We will continue to aggressively work toward reducing our company's internal footprint.

Calculating Our Footprint

Our strategy relies on the calculation of an accurate and precise footprint baseline. Over the course of 2021, we will collect the data necessary to bring our current estimates in line with an internationally recognized greenhouse gas inventory methodology. Results of this inventory will be shared in early 2022.

Reducing Our Impact

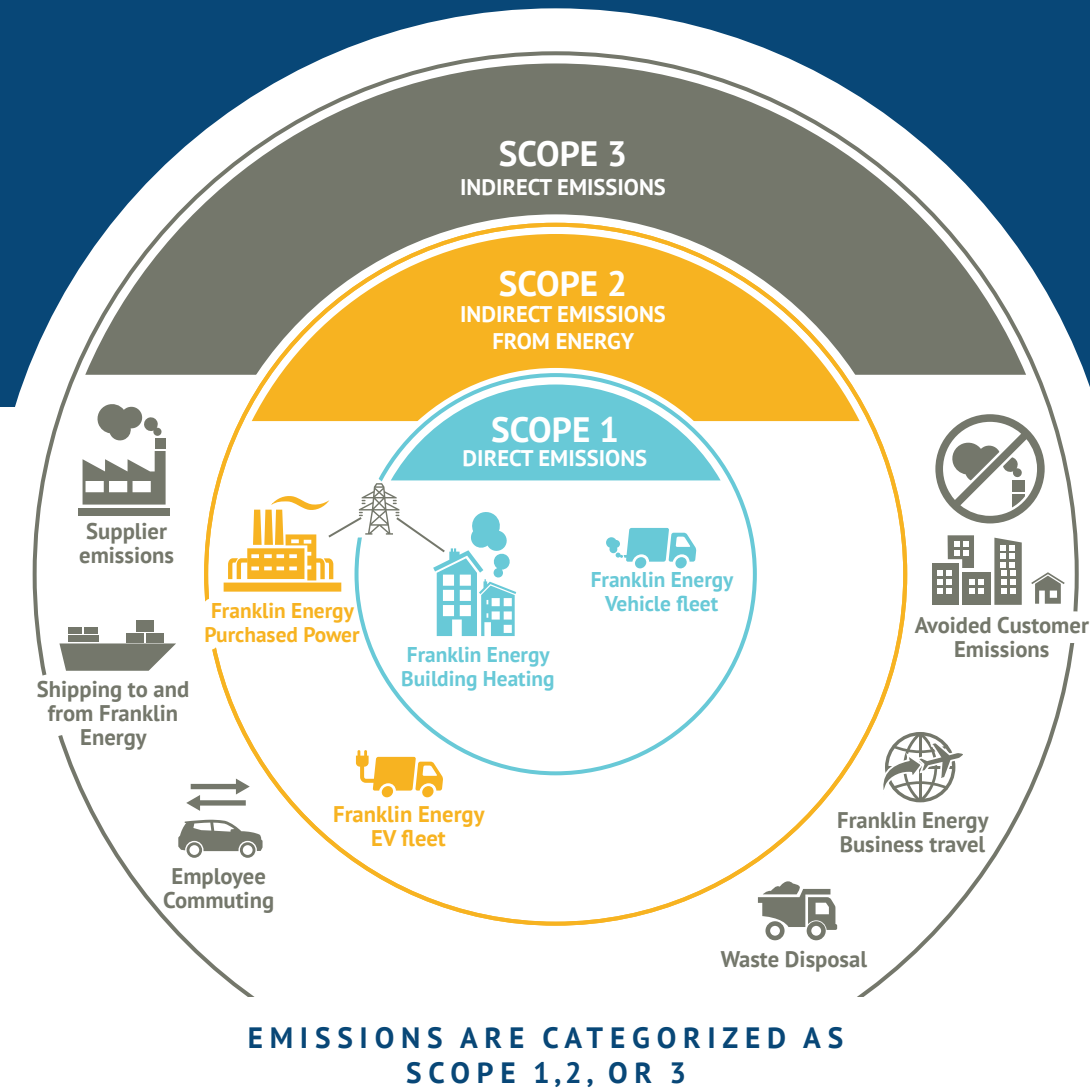
In parallel, we will be taking steps to reduce the emissions we generate. The primary sources of our emissions are 1) a fleet of over 350 service vehicles and 2) more than 40 office and warehouse facilities across our service territory, spanning 23 states. These vehicles and facilities are primarily leased to us in situations where we have operational control, placing them within our operational boundary, with their emissions falling into the Scope 1 and Scope 2 categories.

We will take steps with our vehicle leasing partner to:

- » Ensure that the vehicle class (car, truck, or van) is chosen appropriately for its projected usage
- » Train our employees in fuel efficient driving practices
- » When possible, select advanced technology options such as hybrid or electric vehicles

The typical lease term for our vehicles is 36 months, giving us the opportunity to make changes relatively quickly.

Our offices and warehouses present a more difficult challenge due to their longer lease terms and relatively slower evolution of building technology compared to vehicles.



We are actively building a plan to significantly cut emissions from vehicles and buildings by 2025. As the utility industry's top provider of turnkey energy efficiency and grid optimization programs

and products, we are proud of our role in enabling the transition to clean energy. Reducing our own footprint is an integral part of our mission.

Our Priorities: Building Strong Communities and Local Economies

In our partnerships with utility clients, we not only transform the ways customers use electricity, natural gas, and water; we create jobs and economic activity that build healthier communities and boost local economies.

Our programs in local communities created economic activity worth \$1 billion and created 4,800 new jobs.



Our materiality assessment revealed that economic performance – including contributions to local economies – was one of the top issues of importance. We also saw supplier impact – the ways that Franklin Energy’s providers of energy-saving technologies and services affect both the environment and their local communities—at the top.

Our key actions and goals in the coming year include:

- » Continuing to grow our business and its positive impact on communities
- » Establishing a formal Supplier Code of Conduct and using it to measure and manage explicit environmental and social criteria
- » Beginning to survey suppliers for environmental and social issues by the end of 2021
- » Expanding our current volunteer practices to include a paid day of community service for each employee

OUR PRIORITIES: BUILDING STRONG COMMUNITIES AND LOCAL ECONOMIES

We distributed \$240 million in energy efficiency incentives, including \$32 million to low-income households.



Building on a Strong Foundation

We are proud of our team of energy experts and the work they do to ensure no families, businesses, or communities are left behind.

In 2020 alone, our programs in local communities created economic activity worth more than \$1 billion. In doing so, we created nearly 5,000 new jobs.

Many of the 3.6 million customers we served in 2020 received a portion of the \$240 million in energy efficiency incentives we distributed that year.

Of that total, \$32 million went to low-income customers to help them afford upgrades needed to meet the climate challenge.

With over two decades of experience, we are poised to continue growing and innovating our business, **one community at a time.**



APPENDIX: PROGRESS TOWARDS GOALS

KEY ACTIONS AND GOALS	PROGRESS			
	Timeline	Planning	In Progress	Achieved
Ensuring Safety, Health, and Security				
Meet or exceed 95% participation for safety training sessions	Annually		✓	
Offer first aid and CPR training at no cost to employees	2021	✓		
Provide Automated External Defibrillators (AEDs) and training protocol to our four largest facilities	2021	✓		
Accurately track and report safety metrics	Annually		✓	
Require all employees to complete data security training	Annually		✓	
Championing Our People				
Create a national supplier and partner development program	2021	✓		
Prioritize diversity and inclusion in our business operations	Annually		✓	
Aspire to maintain an employee retention rate of 85% each year	Annually		✓	
Begin a pay equity study and related work to determine where and when we may need to adjust compensation to increase retention, engagement, and market competitiveness	2022	✓		
Re-establish an employee discount for purchases of energy- and water-saving products	2021	✓		
Enabling the Clean Energy Transition				
Calculate our Scope 1, 2, and 3 footprint in accordance with an internationally recognized methodology with results to share in early 2022	2021	✓		
Develop a plan to significantly cut our Scope 1 and Scope 2 emissions	2021	✓		
Achieve net zero emissions across Scopes 1, 2, and 3 by 2025	2025	✓		
Ensure that the vehicle class (car, truck, or van) is chosen appropriately for its projected usage	Annually		✓	
Select advanced technology options such as hybrid or electric vehicles when possible	Annually	✓		
Train our employees in efficient driving practices	Annually		✓	
Building Strong Communities and Local Economies				
Continue to grow our business and its positive impact on communities	Annually		✓	
Establish a formal Supplier Code of Conduct and use it to measure and manage explicit environmental and social criteria	2022	✓		
Begin to survey suppliers for environmental and social issues by the end of 2021	2021	✓		
Expand our current volunteer practices to include a paid day of community service for each employee	2022	✓		



SUSTAINABILITY

IS WHO WE ARE AND

WHAT WE'RE ABOUT.

“Sustainability is more than a choice or a strategy.
Our collective urgency is real and well-founded.
That’s why we will be carbon neutral by 2025.

Addressing this triple impetus — a pandemic-hobbled economy, an over-heated planet, and poorly addressed social equity issues — will be a long process.

The growing need in every home, in every community, cannot be ignored any longer.”

- Jim Madej, CEO