

CLIMATE STRATEGY



Strategy

Our climate strategy comprises mitigating risks from climate change, reducing greenhouse gas (GHG) emissions as **we strive to become carbon neutral by 2050**, and enabling our customers and communities to thrive in a carbon-neutral economy. Reflective of our company's recent transformation to a regulated electric utility, this climate strategy and ambitious carbon-neutral goal represent the new FirstEnergy and support our forward-thinking perspective and renewed commitment to environmental stewardship. Moreover, carbon neutrality aligns with the Paris Agreement's 2-degree mission and represents the kind of action that our stakeholders have come to expect, and the world needs to limit global temperature rise.

To work toward achieving carbon neutrality, we will target a 30% reduction in GHG emissions within our direct operational control (Scope 1) across the entire FirstEnergy enterprise by 2030, based on 2019 levels. This will entail making near-term operational changes including, among other efforts, the installation of new system equipment and the replacement of conventional utility trucks with electric and hybrid vehicles.

This climate strategy is embedded in our overall strategic plan, with components integrated into our regulated transmission, distribution, generation and shared services business units. Oversight, accountability and risk mitigation of this strategy occur at the highest levels of our company, where our Board of Directors, Corporate Governance and Corporate Responsibility Board Committee, executive-level steering committee and business unit leadership guide our efforts. In addition, employees throughout the company participate in executing our climate strategy and play a key role in helping us to meet our objectives. The following key objectives of our climate strategy demonstrate our commitment to our mission statement and core values:

- Protecting and enhancing our transmission system to enable a clean-energy and carbon-neutral future.
- Building a technologically advanced distribution platform that improves grid reliability and resiliency while also enabling our company and customers to support a carbon-neutral economy through efforts such as electrification.
- Committing to a thoughtful transition of our regulated coal generation fleet, while being innovative and forward-thinking as we explore near-term opportunities to reduce emissions, incorporate renewable resources and implement emerging technologies that support our company's mission.
- Integrating carbon pricing into our financial forecasting, advocating for regulatory and legislative policies that support our efforts toward a carbon-neutral future and driving innovative cross-functional initiatives such as our Responsible Replacement program, through which employees identify opportunities to modify our business practices and asset replacement strategies to be more environmentally responsible. These and other important corporate services objectives are integrated into the long-term planning processes for our business units to support our climate strategy.

Our GHG Goal

30% Reduction
from a 2019 baseline
by 2030

and

CARBON NEUTRAL
by 2050



Transmission

The significant investments we're making in our multibillion-dollar Energizing the Future program to enable a resilient and modernized transmission system are also key to our climate strategy. These investments are critical to protecting our grid from the physical risks of climate change, reducing GHG emissions, and modifying the grid to support a rapidly changing energy mix and cleaner energy future. As part of our climate strategy, we're working on the following transmission-focused efforts:

- Replacing aging equipment and adding system redundancy to harden our grid and protect it from the physical risks of climate change, such as increasingly extreme weather.
- Adding operational flexibility to enable grid operators to more swiftly respond to changing conditions and facilitate the reliable inclusion of smaller, distributed generating sources.
- Assessing the value of energy storage as a transmission and distribution asset to enable greater operational flexibility, increased protection against physical asset risks, and better support for increased renewables and distributed energy resources.
- Reducing our GHG emissions by responsibly replacing aging equipment, such as circuit breakers and substation buses, that contain sulfur hexafluoride (SF₆), a greenhouse gas commonly used in electric utility equipment.



Distribution

Our distribution grid of the future is an enhanced platform featuring advanced technology that ensures resiliency against climate change threats while also enabling customers to manage their energy use and pursue their own sustainability goals. We're envisioning a carbon-neutral future in which the distribution system will support more renewables and distributed energy resources; economy-wide electrification of transportation, industrial equipment and home products; the continued development of smart cities; and increasingly advanced energy management tools and data. As part of our climate strategy, FirstEnergy will work toward this future by advocating for economy-wide electrification in our service area and continuing to make long-term, strategic distribution investments that include:

- Adding resiliency to the grid to mitigate physical risk through asset hardening, distribution automation and volt-var optimization. These efforts lessen climate change risks, provide the operational flexibility to enable a changing generation mix, and reduce circuit losses and energy use to decrease our GHG footprint.
- Implementing emerging technologies that help us improve power quality and energy efficiency for customers while also providing opportunities for our company and customers to reduce GHG emissions. These technologies include a supervisory control and data acquisition (SCADA) system, advanced metering infrastructure, advanced distribution management system (ADMS), and "edge of grid" technologies for our distribution transformers. These smart grid advancements enable us to support the changing needs of our customers, including their interest in reducing their carbon footprints.
- Advocating for electrification because it presents an opportunity to significantly reduce our region's carbon footprint by replacing fossil fuel use with low- and zero-carbon electricity in various energy-intensive processes, such as manufacturing, construction and food processing. Our efforts to accelerate our commercial and industrial customers' switch to electrified solutions will advance a cleaner energy alternative and reduce our region's carbon impact. In addition, a well-planned buildout of electric vehicle (EV) infrastructure will help foster economic development and provide environmental benefits for our industry, customers and communities. We have demonstrated our commitment to electrification through the installation of public EV charging stations in our Maryland service territory and the launch of an electric vehicle supply equipment program in New Jersey and Ohio. We continue to evaluate additional electric vehicle and charging station opportunities throughout these states and other areas served by FirstEnergy in preparation for continued growth in electric transportation.
- Transitioning our own vehicle fleet to electric and hybrid alternatives as part of our larger efforts to reduce GHG emissions companywide and support transportation electrification in our service area. Beginning in 2021, FirstEnergy plans for 100% of new purchases for our light-duty and aerial truck fleet to be electric or hybrid vehicles. Through this commitment to steadily and responsibly replace our fossil fuel-based vehicles, including utility trucks, small pickups, SUVs and other support vehicles, **we will electrify 30% of this 3,500-vehicle fleet by 2030, with the goal of reaching 100% electrification by 2050.** We believe our efforts to lead by example in this area will spur customer adoption of electric vehicles in the coming years.



Generation

In order to align our climate strategy to achieve a 30% reduction in GHG emissions by 2030 and carbon neutrality by 2050, we recognize first that operational flexibilities will be necessary in the short term, and second, that we will need to move beyond our two coal-fired plants, which we are committed to doing responsibly by 2050 or earlier. As we remain vigilant in evaluating opportunities from an environmental, social and governance perspective, we are focused on the following efforts to support our employees, customers, communities and the environment:

- Through the use of power plant-appropriate emissions systems and other operational flexibilities, we will responsibly operate our existing small generation fleet—comprising our plants in West Virginia and partial ownership of a pumped-storage hydro facility in Virginia. These efficiency efforts will enable us to support GHG reductions that will move us toward carbon neutrality. In addition, they will help us provide customers with safe and reliable electricity and deliver the economic benefits our generation facilities bring to communities.
- We will advocate for public policy that creates opportunities for renewable generation while helping states in our service area attract new industries and businesses. In West Virginia, for example, policymakers have acknowledged that renewable energy generation aligns with the needs of customers and prospective businesses and would positively impact the state's economic development efforts. We see the same expectation for more sustainable energy options among our customers and will advocate for policies that enable renewable generation in West Virginia and other states in our service area.
- We're also focused on research and development of emerging technologies and incorporation of existing renewable technologies that will support our carbon neutral goal and drive the transition to a low-carbon future. Though we currently do not own regulated renewable generation, our strategy requires that we support our customers' sustainable energy needs across all states in our service territory. Therefore, **we will be seeking approval in 2021 to construct a solar generation source of at least 50 MW in West Virginia.**



Conclusion

As the utility industry evolves, FirstEnergy is poised to evolve with it. We are building a more climate-resilient energy system, meeting our customers' changing needs, and supporting the transition to a carbon-neutral economy and a sustainable and prosperous future for our stakeholders. Our strategic focus on modernizing our transmission and distribution systems, supporting widespread electrification and incorporating emerging smart technologies is guided by our forward-thinking mission to make customers' lives brighter, the environment better and our communities stronger.



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Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, which may include the following: the results of our ongoing internal investigation and evaluation of its controls framework, the extent and duration of COVID-19 and the impacts to our business, operations and financial condition resulting from the outbreak of COVID-19 including, but not limited to, disruption of businesses in our territories, volatile capital and credit markets, legislative and regulatory actions, the effectiveness of our pandemic and business continuity plans, the precautionary measures we are taking on behalf of our customers, contractors and employees, our customers' ability to make their utility payment and the potential for supply-chain disruptions; the risks and uncertainties associated with government investigations regarding Ohio House Bill 6 and related matters including potential adverse impacts on federal or state regulatory matters; the risks and uncertainties associated with litigation, arbitration, mediation and similar proceedings; legislative and regulatory developments, including, but not limited to, matters related to rates, compliance and enforcement activity; mitigating exposure for remedial activities associated with retired and formerly owned electric generation assets, including, but not limited to, risks associated with the decommissioning of TMI-2; the ability to accomplish or realize anticipated benefits from strategic and financial goals, including, but not limited to, executing our transmission and distribution investment plans, controlling costs, improving our credit metrics, strengthening our balance sheet and growing earnings; economic and weather conditions affecting future operating results, such as a recession, significant weather events and other natural disasters, and associated regulatory events or actions in response to such conditions; changes in assumptions regarding economic conditions within our territories, the reliability of our transmission and distribution system, or the availability of capital or other resources supporting identified transmission and distribution investment opportunities; changes in customers' demand for power, including, but not limited to, the impact of climate change or energy efficiency and peak demand reduction mandates; changes in national and regional economic conditions affecting us and/or our major industrial and commercial customers or others with which we do business; the risks associated with cyber-attacks and other disruptions to our information technology system, which may compromise our operations, and data security breaches of sensitive data, intellectual property and proprietary or personally identifiable information; the ability to comply with applicable reliability standards and energy efficiency and peak demand reduction mandates; changes to environmental laws and regulations, including, but not limited to, those related to climate change; changing market conditions affecting the measurement of certain liabilities and the value of assets held in our pension trusts and other trust funds, or causing us to make contributions sooner, or in amounts that are larger, than currently anticipated; labor disruptions by our unionized workforce; changes to significant accounting policies; any changes in tax laws or regulations, or adverse tax audit results or rulings; the ability to access the public securities and other capital and credit markets in accordance with our financial plans, the cost of such capital and overall condition of the capital and credit markets affecting us, including the increasing number of financial institutions evaluating the impact of climate change on their investment decisions; actions that may be taken by credit rating agencies that could negatively affect either our access to or terms of financing or our financial condition and liquidity; and the risks and other factors discussed from time to time in our SEC filings. 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