

Section 1: Qualitative Information

ESG/Sustainability Governance

Consistent with our mission and core values, FirstEnergy is committed to providing our shareholders, customers and employees with comprehensive information on our strategies regarding environmental, social and governance (ESG) issues. We assess and manage corporate responsibility and ESG through defined processes and key groups within the organization that are dedicated to corporate governance.

At FirstEnergy, overall management of corporate responsibility, ESG-related issues and strategy rests with our president and chief executive officer, Charles E. Jones. Our Board of Directors provides oversight and feedback on these initiatives as part of its established and engaged Corporate Governance and Corporate Responsibility Committee. The committee comprises independent Directors and meets five times per year.

Our organization includes a dedicated Corporate Responsibility team which is situated in our Strategy Department and overseen by FirstEnergy's senior vice president of strategy. This team is working to fully embed corporate responsibility and ESG into our company culture, develop initiatives that support our mission statement, meet and exceed our stakeholders' expectations, and demonstrate that we are on a strategic journey that will ensure that we are sustainable into the future.

In addition, a cross-functional, executive-level steering committee reviews and guides governance topics, including risks and opportunities associated with corporate responsibility and the climate. Members of this group include senior leadership from the Community Involvement, Corporate Secretary, Environmental, Human Resources, Investor Relations, Risk and Strategy departments.

ESG/Sustainability Strategy

1. Provide an overview of regional factors and related challenges that affect or could affect the business model, and company strategies for responding to these challenges.

Regional factors and related challenges: The potential changes to energy sources, delivery and end-use in different regions we serve could present challenges and/or impact FirstEnergy's business model. This includes customer use of distributed energy resources and the transition to lower-carbon resources. A changing generation and delivery mix could challenge FirstEnergy's ability to provide safe and reliable service to customers. Challenges include the inability to implement utility-owned generation projects due to regulatory constructs in some states; the need for growth in energy-storage technologies; and a transmission and distribution system that is unable to reliably support a grid with fewer dispatchable resources.

Company Strategy: Our regulated utility business strategy provides a strong foundation for our company's growth and alignment with current market and technology trends. It also positions FirstEnergy to adapt to challenges such as the potential changes to energy sources, delivery and end-use in our regions, such as the transition to a lower-carbon energy future and customers' evolving expectations. For example, the regulated utility industry, including our regulated utility business, is uniquely positioned to support multi-sector CO₂ emission reductions through electrification in the transportation, buildings and industrial sectors. At the same time, we can enable the technologies that support a grid with fewer dispatchable resources, and customer use of distributed energy resources.

We are working within the public policies and processes in our region to fully implement these strategies. For example, four of the five states in which FirstEnergy principally operates (Ohio, Pennsylvania, New Jersey and Maryland) operate deregulated electricity markets. With a few exceptions, our utilities are prohibited from owning generation in these states, including renewable generation assets such as solar and wind, as well as certain energy storage assets. We will continue to explore opportunities for utility-owned renewable generation in the states where we operate, and work with policymakers to address other regulatory matters that could impact our ability to meet customers' expectations.

2. Managing and adapting to future ESG/Sustainability risks and opportunities

FirstEnergy is working to maximize opportunities related to corporate responsibility and ESG/Sustainability initiatives, while managing the associated risks.

Our ongoing grid modernization efforts, together with our focus on delivering new technologies and services that meet the future energy needs of our customers, presents significant opportunities for FirstEnergy. As the operator of one of the largest investor-owned electric systems in the United States, we have opportunities to make substantial investments in our system to implement customer solutions. This includes smart grid technology, distributed energy resources, energy storage, electric vehicle chargers and energy efficiency. We are also evaluating opportunities for microgrids to improve the reliability and resiliency of the electric system during natural disasters.

FirstEnergy also supports moving forward with transportation electrification. Our company recognizes that regulated electric utilities are well-positioned to offer public charging services for electric vehicles because utilities can best plan and manage regular maintenance and upkeep to avoid long service equipment downtime, optimize charging retail rates and plan for long-term infrastructure rollouts that are not subject to short-term profitability goals.

Electric utility support for electric vehicle adoption, charging infrastructure and the efficient use of electricity will yield tremendous environmental benefits, including significant CO₂ reductions, by lowering emissions from transportation fuels. We will continue to research opportunities to support electrification of the transportation sector.

FirstEnergy is also focused on understanding and managing risks that could impact our system and using our organization's strength to convert them into opportunities that maximize shareholder value while providing exceptional service to customers. We utilize a formal, comprehensive Enterprise-Wide Risk Management (EWRM) program to assess and address risks and opportunities, including those posed by changes in the climate.

This includes strategic, operational, compliance and financial risks:

- Strategic risks deal with the ability to implement new customer solutions that are dependent on future public policy and regulatory decisions.
- Operational risks include impacts of a changing generation mix in a carbon-constrained economy and implications of increased electrification of end-use technologies.
- Compliance risks include implementation of future carbon policies such as carbon pricing mechanisms, as well as a dramatic expansion or acceleration of state targets for renewable and energy efficiency programs.
- Financial risks are associated with climate change, low demand growth in our region, and carbon policy. In addition, because we recover our investments and associated expenses for utility operations through the regulated ratemaking process, we will be challenged to meet our commitment to provide reliable

and cost-effective electricity to our customers while making necessary investments to strengthen our transmission grid, integrate technology on our distribution system and support a changing generation fleet and policy environment.

3. Sustainability Plans and Progress – Innovative practices, programs, and initiatives designed to support the company’s transition to a lower carbon and increasingly sustainable energy future.

Progress: In 2015, we set an aggressive goal to reduce CO₂ emissions by at least 90% below 2005 levels by 2045. We use CO₂ emissions from our generating facilities (as reported to the U.S. Environmental Protection Agency for compliance with the Clean Air Act) as the metric to assess our progress toward the established goal, and we believe our 90% reduction target is in line with the ambition of the 2015 Paris Agreement within the United Nations Framework Convention on Climate Change.

We have made significant progress toward achieving our CO₂ emissions reduction goal. By the end of 2018, we reduced CO₂ emissions by 62% from our 2005 baseline, which represents a total reduction of about 59 million tons of emissions. In 2020, we anticipate FirstEnergy’s carbon emissions will be 80% below our 2005 baseline – placing us well ahead of schedule to achieve our goal of a 90% CO₂ reduction by 2045.

Plans: Our newly created Emerging Technologies (EmT) Strategy group is charged with exploring and implementing advanced technologies that benefit customers and support federal and state policy efforts to improve grid performance and energy security. These technologies build on our existing regulated business platform while offering customers the flexibility and functionality they want. Our EmT Program team leads the implementation of the advanced technologies that our Strategy team has determined is a strategic fit for the company.

Further, we are continually looking for and acting on opportunities to decrease our environmental impact. Plans include partnering with conservation and regulatory agencies, reducing waste, implementing recycling initiatives and increasing beneficial re-use of materials.

Engagement: We believe it is important to engage regularly with our shareholders, so we maintain an active outreach program. Our shareholder engagement efforts focus on a variety of topics, including corporate responsibility and climate-related disclosures. This outreach gives us an opportunity to discuss our continuing goal of implementing strategies that are in the best interest of our shareholders. FirstEnergy will continue to focus significant efforts on engaging our shareholders and the investment community and will consider their views when making business decisions.

To learn more about FirstEnergy’s commitment to Corporate Responsibility and view our Climate Report, please visit our website at www.fecorporateresponsibility.com.