



Your Touchstone Energy® Cooperative

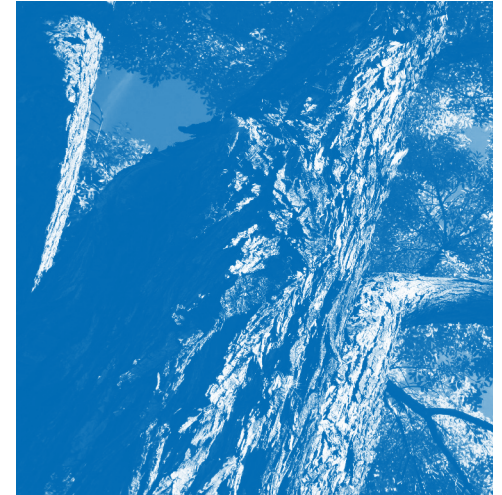
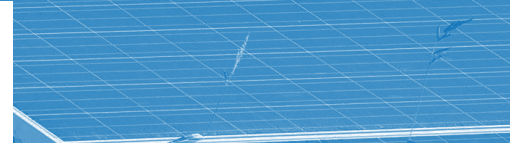
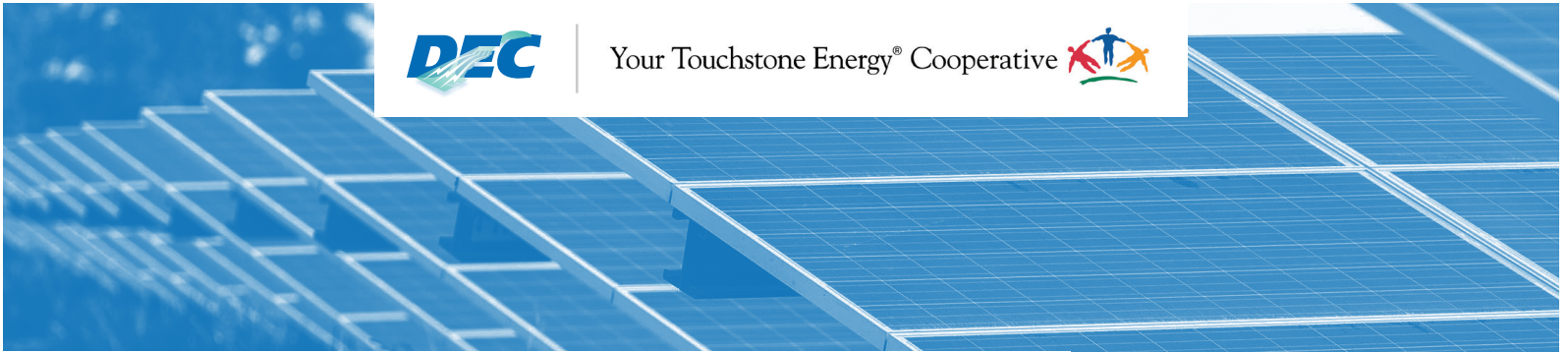


Delaware Electric Cooperative

Environmental, Social & Governance Report

October 2021

www.delaware.coop





A Word from our President & CEO

In the 1930s, farmers in southern Delaware were frustrated by the unwillingness of for-profit utilities to provide power to the Delaware countryside. They advocated for rural electrification legislation that was passed by Congress, enabling the creation of a new form of not-for-profit electric utility. The result was the formation of a network of member-owned electric cooperatives across the U.S., including Delaware Electric Cooperative (DEC).

More than eight decades later, DEC's commitment to improving the lives of residents and helping businesses throughout rural Delaware has never been stronger. Our employees work hard to provide safe, clean, affordable and reliable power to more than 300,000 Delawareans. With a focus on sustainability, DEC has transformed from a small, rural electric provider into a nationally recognized utility with a reputation for innovation. DEC is committed to assisting consumers in lowering their carbon footprint through efficiency programs and new renewable generation, which promises to bring extraordinary changes to our industry. DEC leadership is proud to be taking a proactive role in shaping this energy revolution to ensure members have sustainable energy for years to come.

Cooperatives like DEC are governed by a set of seven basic principles. These principles articulate the values that guide the decisions our leaders make each day. Our board directors are elected by our members — and each director is a member of DEC. Our directors are charged with acting in the best interest of our members. Our unique business model gives

members a voice, and we are dedicated to open and transparent governance.

As a member-owned utility, DEC is also committed to making a difference in our community. Each year, DEC provides support to various nonprofits operating in our service territory — aid that supports local fire companies, hospitals and charities that are providing emergency housing, healthcare and nutrition services to Delawareans. Our employees are also in schools educating students about safety and speaking to community groups about how they can reduce their energy use and lower their carbon footprint.

As we look to the future, we believe our role goes well beyond being an energy provider. We have a responsibility to address climate change and to identify and help solve problems facing members and our neighbors. We also have an obligation to create a workplace where our diverse employee base can thrive. This environmental, social and governance report details our work to create a utility that doesn't just better serve the members of today — but works to create a better world for future generations.

Greg Starheim,
President & CEO



Seven Cooperative Principles

1. Open and Voluntary Membership

Membership in a cooperative is open to all people who can reasonably use its services and stand willing to accept the responsibilities of membership, regardless of race, religion, gender, or economic circumstances.

2. Democratic Member Control

Cooperatives are democratic organizations controlled by members who actively participate in setting policies and making decisions. Representatives (directors/trustees) are elected among the membership and are accountable to them. In primary cooperatives, members have equal voting rights (one member, one vote); cooperatives at other levels are organized in a democratic manner.

3. Members' Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital remains the common property of the cooperative. Members allocate surpluses for any or all of the following purposes: developing the cooperative, setting up reserves, and benefiting members in proportion to their transactions with the cooperative, and supporting other activities approved by the membership.

4. Autonomy and Independence

Cooperatives are autonomous self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control as well as their unique identity.

5. Education, Training, and Information

Education and training for members, elected representatives (directors/trustees), CEOs, and employees help them effectively contribute to the development of their cooperatives. Communications about the nature and benefits of cooperatives, particularly with the general public and opinion leaders, help boost cooperative understanding.

6. Cooperation Among Cooperatives

By working together through local, national, regional and international structures, cooperatives improve services, bolster local economies and deal more effectively with social and community needs.

7. Concern for Community

Cooperatives work for the sustainable development of their communities through policies supported by the membership.

DEC's Commitment to Stewardship

DEC serves approximately 300,000 residents of Kent and Sussex Counties in the State of Delaware. As a utility serving a coastal state, we are acutely aware of how climate change could impact our members, especially those closest to the Delaware Bay and the Atlantic Ocean. To reduce our carbon footprint, DEC has set a goal of — and is well underway in achieving — a reduction in carbon emissions of 50 percent by 2025 and 75 percent by 2050, when compared to 2005 levels.

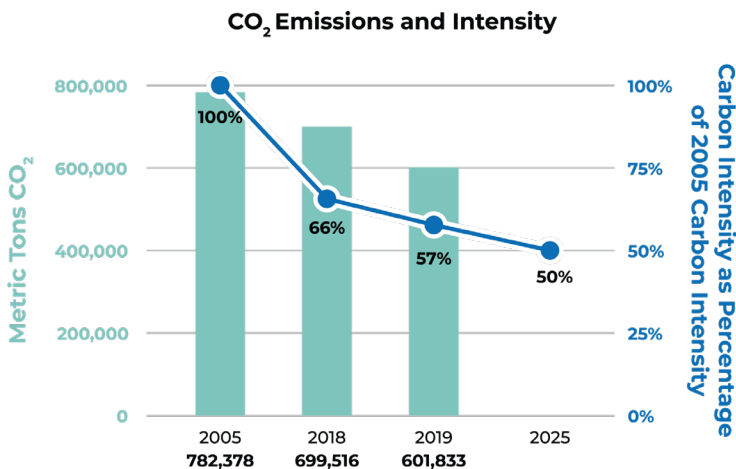
While our member base has grown by 41 percent over the past 20 years, we've already been able to lower our carbon footprint by 40 percent since 2005. We've reduced our environmental impact through the implementation of smart grid technologies and energy efficiency programs, the construction of cleaner power plants and through the addition of renewable energy generating facilities.

Our diversified portfolio of energy resources provides affordable rates to members, while reducing the

impact on the environment. We are part owner of Old Dominion Electric Cooperative, or ODEC, located in Glen Allen, Virginia. ODEC is an electric generation and transmission cooperative, which provides wholesale power supply to 11 electric cooperatives throughout the states of Delaware, Maryland and Virginia. The power plants owned by ODEC and DEC have some of the best environmental records in the nation. ODEC is the second generation and transmission cooperative in the U.S. to announce a goal to achieve net-zero carbon dioxide emissions by 2050.

In 2018, ODEC's 1,000-megawatt (MW) Wildcat Point Generating Facility became operational. The state-of-the-art, advanced natural gas power station located in Rising Sun, Maryland represents a significant portion of DEC's low-carbon wholesale power supply. DEC and ODEC also have partial ownership of the North Anna Nuclear Generating Station in Virginia and ODEC provides member co-ops, including DEC, with 263 MW of clean onshore wind energy.

DEC is also helping to eliminate greenhouse gas emissions across the First State through a number of other carbon-free generating resources, including through the purchase of power produced at landfills across our service territory. Excess methane created from decomposing garbage is captured and turned into enough energy to power thousands of Delaware homes. Methane contributes to climate change — and if not being used for energy production, the gas would be released into the atmosphere.

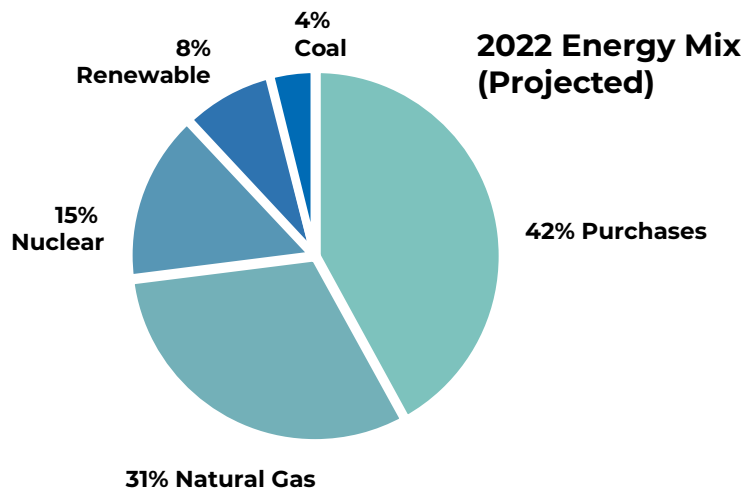


Transitioning to Renewable Energy

Our Co-op is the only utility in the state to own its own solar generating facility. The first phase of the Bruce A. Henry Solar Farm in Georgetown featured 20 acres of solar panels — the project was expanded in 2019, bringing even more clean energy to Delaware homes. The 17-acre expansion produces approximately 5.1 million kilowatt-hours of electricity each year, displacing more than 3,600 metric tons of carbon dioxide, or the equivalent emissions from 770 passenger vehicles annually, according to U.S. EPA estimates. In addition to our solar farm, hundreds of members have now signed up for our community solar program, further helping to reduce the carbon intensity of the electricity we deliver.

As part of our commitment to a clean energy future, we have announced agreements to purchase power produced at two new solar facilities near Hartly in Kent County and Greenwood in Sussex County. Ten acres of solar panels at the Tangent Solar Energy Farm in central Delaware will be capable of producing 1.5 megawatts of electricity, enough energy to power 260 homes. The facility is being built in DEC's service territory and the clean energy generated at the farm will flow directly onto our electric system. In addition, the 35-acre, 5.8 megawatt Heimlich Solar Facility in Sussex County will feature nearly 16,000 individual solar panels. Both solar facilities are expected to be fully operational in 2022 and DEC plans to invest in more utility-scale solar projects over the next several years.

We also support consumer-owned residential solar generation by assisting members with covering a



portion of the cost of installing rooftop solar. Since 2007, DEC has provided more than \$5 million in grants for members to install renewable generation. More than 2,700 homes in our service territory have installed solar systems.

Given the rapid transition of the electricity sector to low-carbon energy resources — in particular, wind and solar — we believe that energy storage will play a major role in the future in ensuring high standards of reliable and resilient electric service. As a result, DEC is working with ODEC to build the Dirickson Energy Storage Facility in Sussex County, our first utility-scale battery-storage project. The project — with a capacity of 8 MW/16MWh — will provide operational flexibility to DEC grid operators to balance variable renewable resource production while providing greater reliability to our member-consumers. The project is anticipated to be completed in 2022.



*Delaware Electric Cooperative's
2018 Chevy Bolt*

Beneficial Electrification

As part of the energy industry transformation, DEC is focused on finding innovative ways to utilize new technologies to help local communities and improve the Delaware economy. We are working with local farmers to replace existing diesel irrigation pump engine drives with electric motors. Since the program was launched in 2011, it has eliminated more than 55 million pounds of CO₂ emissions: equivalent to taking almost 6,000 cars off the road for one year. Farmers have also realized thousands of dollars in fuel savings by powering their irrigation pivots with electricity instead of diesel.

Recognizing a major industry shift, DEC is also positioning itself as a leader in the decarbonization of the transportation sector. We are investing resources in building infrastructure, supporting residential and commercial charging stations along with public charging stations. Among these investments, DEC installed chargers at its headquarters in Greenwood for use by members and employees and is working with national EV manufacturers to expand charging

stations across the First State. We are supporting state agencies in electrifying the state's public transportation fleet. This work has included the build-out of electric infrastructure to support the Delaware Transit Corporation in its deployment of six electric public transit buses serving the state's beach areas. Over the next few years, the collaboration will result in the buildout of fast-charging stations that will be used by a fleet of 20 electric buses, significantly reducing carbon emissions, and noise pollution and improving air quality in communities in southern Delaware. And, as electric vehicles (EVs) become increasingly popular in residential and commercial applications, we will continue to be a trusted energy advisor, providing member education and outreach to our stakeholders.

Through partnerships and grants, DEC also offers LED lighting programs to local businesses and farmers as well as home energy audits and other efficiency incentives to members.

Building a Nationally Recognized Utility

As a member-owned not-for-profit utility, DEC is committed to providing its consumers with exceptional member service. From new member onboarding to outage communications, we remain focused on serving our member-consumers without profit or shareholder motivations. The Cooperative's American Customer Satisfaction Index (ACSI) scores, a national survey used extensively in the utility industry, have been the highest in the nation among electric cooperatives for several years. Co-op members are engaged and care about what is happening at their utility.

DEC has cultivated a high level of member engagement and satisfaction by launching programs that keep rates affordable. DEC's trademarked "Beat the Peak" demand response program engages members to conserve energy during times when the cost to purchase or produce power is very high. The program has saved members more than \$36 million since 2008 and is being used by more than 100 other electric cooperatives across the U.S. Interruptible electric vehicle chargers and programmable thermostats are also playing an increasingly important role in keeping member rates affordable.

Our retail electric rates are also the lowest in the State of Delaware and our residential rates are among the lowest in the Mid-Atlantic. As a not-for-profit utility, any year-end margins or profits are allocated to our members and are eventually paid out in cash in what are called capital credits. Over the past decade, DEC has returned over \$60 million in capital credits to our members.

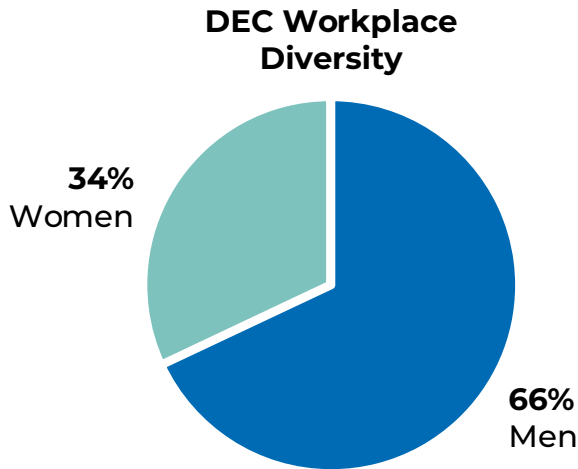
DEC has also invested heavily in grid resiliency, significantly improving electric delivery reliability to improve the quality of life for our members. Strategic investments, including the installation of automated smart devices throughout our system, allows system operators to quickly restore service to consumers when issues arise. Investments in aggressive maintenance practices, vegetation management, organization and staffing changes and the use of advanced technologies have also significantly attributed to DEC being an industry leader in system reliability.

DEC linemen and engineers are focused on providing reliable service to members.



Employee Relations

Delaware Electric Cooperative employs more than 170 diverse, talented and knowledgeable employees. Our culture encourages employees to develop innovative solutions to complex problems, and be empowered to improve service to our members. We value diversity and are committed to an inclusive and comfortable work environment. Women make up more than one-third of our workforce and 20 percent of our employees are minorities.



The health and well-being of employees is one of our strategic priorities. To promote healthy lifestyles, we provide a variety of programs and services to our staff, including in-house lifestyle incentive programs, annual flu shots, on-premises exercise facilities and other benefits. Each year, we provide an entire day of employee-focused activities, including medical screenings, retirement planning seminars, healthy-eating classes and exercise programs.

DEC strives to recruit the most qualified employees who share in our commitment to serving members. Our internship program not only provides college students with real-world experience but has also resulted in full-time employment for many participants after graduation. Once employees become part of the DEC family, they are provided with opportunities for professional development. We encourage and offer reimbursement to employees who seek to further their education by obtaining advanced degrees. DEC also encourages employees to participate in, and covers the cost of, numerous certifications, leadership training programs and other courses that create a more skilled and responsive workforce.

A comprehensive safety program isn't just the cornerstone of our company — it is also central to our employee wellness programs. As a utility, many employees work around dangerous equipment on a daily basis. Our safety program is designed to provide employees with the skills and knowledge to keep them safe and to hold them accountable. Creating a culture of safety has resulted in a significant decline in accidents and injuries over the past decade.

DEC employees live in the communities we power and are always looking for ways to give back. We encourage employees to volunteer for causes they are passionate about. Many volunteer for charities, serve on committees, or help to direct the activities of nonprofits by serving on their board of directors.

Community Relations

At DEC, we take great pride in improving the quality of life in the communities we serve. We provide support and guidance that energize nonprofits and help to address issues facing local communities. Each year, we provide support to charities and emergency services departments throughout Kent and Sussex Counties. We are proud to have many of our employees actively involved in these critical mission-driven organizations and support their service. We are also proud to sponsor numerous local organizations focused on addressing homelessness, hunger, healthcare and other important issues facing members. Our mission goes beyond being an electric utility, rather we are an organization focused on serving the communities that we power.

Our efforts have also extended to protect Delaware wildlife. For years, DEC has worked with farmers and wildlife officials in the state to install osprey nests in areas where the birds often nest on top of utility poles. These projects have prevented ospreys from being injured on electrical equipment while also preventing outages. We install animal guards on equipment, especially in coastal areas, where wildlife is more likely to come into contact with energized equipment.

You'll find our linemen and other DEC employees at community events across Delaware. From the Delaware State Fair to farmers markets, DEC staff work hard to educate members about energy use, renewable energy and safety. Energy education also extends into local schools — we frequently offer school-wide presentations focusing on safety, STEM and the careers available in the energy field. These engaging presentations are helping to

inspire the next generation of engineers and energy experts.

DEC scholarships are also helping young students turn their dreams of a college education into reality. Thousands of dollars in scholarships are distributed to outstanding students each year — we also provide high school juniors with the chance to participate in the National Rural Electric Cooperative Association's annual Youth Tour. Students spend a week in Washington D.C. learning about their government and the electric cooperative program — they are joined by more than 1,000 high school students from across the country.



Participants in DEC's Summer Youth Tour

Sound Corporate Governance

DEC is organized as a 501(c)(12) not-for-profit electric cooperative. As such, our board of directors are elected by the members we serve. Regardless of the amount of their electric demand, each cooperative member gets one vote in electing directors. Directors must receive electric service from the utility. Our bylaws prohibit conflicts of interest and are written to ensure the integrity of the governing body. DEC's 11-member board is comprised of members with a diversity of backgrounds and experiences including farming, law enforcement, military service, community service and others who reflect the demographics of the region we serve and who work together to provide governance to the organization.

In 2021, the Cooperative's board of directors selected director Pat Dorey to serve as DEC's Board Chair — the first woman and former educator to lead the organization's governing body. DEC directors are required to spend a significant amount of time with ongoing continuing education and training in strong governance practices. Board committees provide additional oversight of other Cooperative functions like risk management, audits, regulatory oversight and finance.

In addition to our elected board of directors, DEC members can also serve on our member committee, made up of members from varied professions, who serve as a sounding board for new programs and policies. The member committee meets quarterly and is briefed on and provides guidance on regulatory, power supply, public relations, and other issues of interest to the



Pat Dorey, DEC's Board Chair

cooperative. The committee is also helpful in gauging member interest in new energy program offerings and helps to shape how the Cooperative communicates with the public.

As the Cooperative strives for open and transparent governance, members will remain at the center of our democratically-run organization. For board minutes, election materials and other information about the Co-op's board, please visit delaware.coop.

Building a Resilient Future

DEC is committed to building a resilient and sustainable future for members and employees. A resilient future starts with effective planning and the continued hardening of our distribution and transmission systems. Building a sustainable future will require DEC to continue to expand its renewable resources, combine solar projects with battery storage and offer engaging programs to members that reduce energy use during Beat the Peak alerts.

These investments will be made possible by DEC's strong financial position. As of September 2021, DEC had an equity ratio of 49 percent. DEC's consumer base continues to grow by roughly 4 percent per year. Strong growth, coupled with deft financial management, has resulted in access to favorable interest rates on debt service that will save members tens of millions of dollars over the next few decades. DEC's current rating from S&P Global is A+ stable.

Delaware Electric Cooperative's risk management program is helping us to be well positioned for future success, identifying, assessing, and mitigating threats from an environmental, operational, financial and reputational standpoint. Robust political engagement among our membership and constructive relationships with Delaware's elected officials have provided DEC with an important voice in shaping Delaware's clean energy future. We believe we are well positioned to continue to advance sound ESG practices and to be a good steward of our natural resources, a strong partner of our local communities and to champion transparent democratic cooperative governance.

Closing

Over the next decade, a quickly changing energy landscape will undoubtedly create challenges for DEC. These challenges, however, represent tremendous opportunities for DEC to enact meaningful changes — both in supplying more sustainable energy to members and in contributing to the wellbeing of employees and members. As we seek to create a cleaner, more inclusive world, we understand that nothing can be achieved without our members and employees. We remain committed to developing an engaged and devoted workforce that puts members' needs first. We pledge to provide safe, reliable and affordable electric service to our members, while also dramatically reducing impacts on the environment. Collectively through shared action, members, employees and DEC leaders have created one of the most progressive utilities in the nation. If we continue to work together for the common good, the future of DEC and the communities it serves will be very bright.



DEC employs more than 170 dedicated professionals.

