

Second-Party Opinion

Southern Company Sustainable Financing Framework



Evaluation Summary

Sustainalytics is of the opinion that the Southern Company Sustainable Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018 (SBG), Green Loan Principles 2020 (GLP), Green Bond Principles 2018 (GBP) and the Social Bond Principles 2020 (SBP). This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy, Climate Change Adaptation, Energy Efficiency, Clean Transportation, Green Buildings, Employment Generation, Access to Essential Services - Telecom, Access to Essential Services - Education – are aligned with those recognized by the Green Bond Principles 2018 (GBP), Social Bond Principles 2020 (SBP) and GLP. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 4, 7, 8, 9, and 11.



PROJECT EVALUATION / SELECTION The Southern Company's internal process of evaluating and selecting projects is to be undertaken by its Sustainable Finance Coordination Group, made up of representatives from different business units, with oversight from the treasury department. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS The Southern Company's management of proceeds will be the responsibility of its treasury department and it intends to allocate eligible funds within 12 months of the issuance of a financial instrument when financing new projects or refinancing existing projects with a lookback period of 24 months from issuance. The Company intends on managing unallocated net proceeds in line with its internal liquidity policies. This is in line with market practice.



REPORTING The Southern Company intends to report on allocation of proceeds on its website on an annual basis until full allocation. In addition, The Southern Company is committed to reporting on relevant impact metrics, where feasible. Sustainalytics views the Company's allocation and impact reporting as aligned with market practice.

Evaluation date	December 31, 2020
Issuer Location	Atlanta, United States

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Introduction

The Southern Company (including its subsidiaries) (collectively, “Southern Company”, or the “Company”) is an energy company based out of Atlanta, United States and, through its subsidiaries, supplies energy to nine million customers in the country. The Company generated over US\$21 billion revenues in 2019¹ and employed approximately 28,000 people.²

Southern Company has developed the Southern Company Sustainable Financing Framework (the “Framework”) under which it and its subsidiaries intend to issue sustainability financing instruments and use the proceeds to finance or refinance, in whole or in part, existing or future renewable energy projects, technologies to increase climate resilience of electricity infrastructure, and programs to support Small and Medium Enterprises (SMEs) amongst other categories for investment. The Framework defines eligibility criteria in eight areas:

1. Renewable Energy
2. Climate Change Adaptation
3. Energy Efficiency
4. Clean Transportation
5. Green Buildings
6. Employment Generation
7. Access to Essential Services - Telecom
8. Access to Essential Services - Education

Southern Company engaged Sustainalytics to review the Framework, dated January 4, 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the SBG and GLP.³ This Framework has been published in a separate document.⁴

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, as administered by International Capital Market Association (ICMA);
- The Framework’s alignment with the Green Loan Principles 2020 as administered by the Loan Market Association (LMA);
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.6, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Southern Company’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Southern Company

¹ The Southern Company website, Annual Report 2019 at: https://s2.q4cdn.com/471677839/files/doc_financials/2019/annual/SO_2019_AR_Final.pdf

² The Southern Company, “Investor Fact Sheet”, (2020), at: [https://s2.q4cdn.com/471677839/files/doc_downloads/fact_sheet/2020/Company-Overview-One-Pager-\(1\).pdf](https://s2.q4cdn.com/471677839/files/doc_downloads/fact_sheet/2020/Company-Overview-One-Pager-(1).pdf)

³ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

⁴ The Framework is available on The Southern Company’s website at: <https://investor.southerncompany.com/information-for-investors/overview/default.aspx>

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

representatives have confirmed (1) they understand it is the sole responsibility of Southern Company to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Southern Company.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Southern Company has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Southern Company Sustainable Financing Framework

Sustainalytics is of the opinion that the Southern Company Sustainable Financing Framework is credible, impactful and aligns with the four core components of the GBP, SBP, SBG, and GLP. Sustainalytics highlights the following elements of Southern Company's Sustainability Financing Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Climate Change Adaptation, Energy Efficiency, Clean Transportation, Green Buildings, Employment Generation, Access to Essential Services-Telecom, Access to Essential Services – Education – are aligned with those recognized by the GBP, SBP, and GLP.
 - Within Renewable Energy, the Company considers investments in renewable energy projects (solar or wind) or in long-term agreements to acquire renewable power, as well as in transmission and distribution (T&D) infrastructure aimed to connect renewable energy projects.
 - Power Purchase Agreements (PPAs) are intended to be for a minimum tenure of five years.
 - T&D infrastructure investments include either electrical grid development to connect renewable energy projects to the grid or distributed assets such as grid components aimed at reducing curtailment of renewable energy to the grid.
 - Sustainalytics considers these investments to be in line with market practice.
 - Within Climate Change and Adaptation, the Company considers financing flood mitigation and climate resilience systems for T&D infrastructure.
 - The Framework outlines Southern Company and its subsidiaries' intention to conduct vulnerability assessments and develop climate adaptation plans for investments, as applicable.
 - Southern Company has confirmed that investments will not finance T&D infrastructure for fossil fuels or improvements on segments with any direct connection to fossil fuels.

- Sustainalytics considers investments in this category to be aligned with market practice while noting that they are not intended to finance T&D infrastructure for fossil fuels.
- Within Energy Efficiency, the Company considers investments in energy storage technologies such as battery storage, smart meters and related communication networks, as well as in programs to aid customers in conducting energy audits or acquiring energy efficient technologies. Sustainalytics considers these investments to be aligned with market practice and encourages the issuer to measure and report on quantitative impact of projects, where feasible.
- Within Clean Transportation, the Company considers making investments in electric vehicles and related infrastructure including charging stations in line with its plan to convert half of its fleet of vehicles to electric by 2030.
 - The Company's fleet includes vehicles such as SUVs, minivans, forklifts and ATVs that are not used for transportation of fossil fuels. Sustainalytics considers these investments to be aligned with market practice.
- Within Green Buildings, projects include buildings that are certified to have positive environmental impact by credible third-party certification schemes. The Framework highlights that investments in buildings certified as LEED Gold or Higher (Leadership in Energy and Environmental Design), BREEAM Very Good or Higher, or Energy Star score of 85 or higher, are considered eligible. Sustainalytics considers these schemes to be credible and the thresholds selected to be aligned with market practice (please refer to Appendix 1 for more details).
- Within Green Innovation, the Company contemplates a variety of investments with potential positive environmental impact:
 - Research and development (R&D) expenses relating to energy efficient solutions at the Energy Innovation Center operated by the Company. Sustainalytics encourages the Company to prioritize R&D investments that have reasonable assurance of implementation and can achieve measurable impact in the near-term.
 - Eligible costs related to smart neighborhoods via technologies such as rooftop solar for houses and battery storage, that are designed to increase resiliency and reduce dependency on the electrical grid. Please refer to Section 2 of this report for more details.
- Within Employment Generation, the Company considers financing programs and initiatives that aid small and medium enterprises that are owned by minority populations such as females, veterans, and members of the LGBT community.
 - Investments could include procurement of goods and services from diverse suppliers and training, mentoring and education programs for small businesses. Sustainalytics considers these to be aligned with market practice.
- Within Access to Essential Services - Telecom, the Company intends on investing in equipment and facilities that will extend telecommunication services to underserved communities in the United States. Sustainalytics recognizes that these investments could lead to positive social outcomes such as improved connectivity, and better access to education and healthcare opportunities.
- Within Access to Essential Services - Education, Southern Company and its subsidiaries consider investing in initiatives that advance opportunities for target populations such as underserved communities and students. Investments could include partnerships with technology schools for recruiting and training of target populations as well as initiatives to support historically black colleges and universities. Sustainalytics considers these to be aligned with market practice.
- Sustainalytics notes that an exclusionary list is provided in the Framework referring to activities related to fossil fuel exploration, production or transportation, the consumption of fossil fuels for power generation or nuclear energy that the Company will not finance from net proceeds issued under this Framework.

- **Project Evaluation and Selection:**
 - The Southern Company and its subsidiaries have established a Sustainable Financing Coordination Group consisting of members of different business units such as Treasury, Operations, and Legal, to evaluate potential eligible projects. This group will meet on an annual basis to select eligible projects.
 - The Treasury Department will approve each project selection and oversee the internal tracking of the allocated amounts.
 - Based on the diverse composition of the coordination group and treasury oversight Sustainalytics considers this process to be in line with market practice.
- **Management of Proceeds:**
 - Southern Company's Treasury Department will be responsible for tracking the proceeds of any sustainable financial instruments allocated to eligible projects.
 - The Company intends to refinance projects in the 24 months prior to the issuance and allocate all net proceeds to new or existing projects within 12 months of the issue date.
 - Pending allocation, the Framework allows for investing net proceeds in liquid instruments or to repay existing indebtedness in line with the Company's internal liquidity policies and will not be used to repay debt related to fossil fuels.
 - The Company is committed to reallocating funds from existing investments if they no longer meet eligibility criteria.
 - Based on these processes Sustainalytics considers this process to be in line with market practice.
- **Reporting:**
 - Southern Company intends to publish a report on its website annually up until full allocation of net proceeds.
 - Within the report, the Company intends on including details such as total funds raised through issuances under the Framework, details relating to allocation of funds, and the balance of unallocated funds.
 - The Company also intends on reporting select case studies and on performance using qualitative and where feasible, quantitative impact metrics for each category of investment.
 - Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Framework aligns to the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020). For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Performance of Southern Company

Contribution of Framework to Southern Company's Corporate Responsibility Strategy

Sustainalytics is of the opinion that Southern Company and its subsidiaries have made substantial commitments towards sustainability, some of which focus on reducing the impact and risk associated with its use of fossil fuels, from which it currently derives 74% of the energy that it provides. The Southern Company's corporate responsibility strategy focuses on five key environmental and social areas: (i) greenhouse gas emissions reductions, (ii) increasing renewable energy use, (iii) increasing energy efficiency, (iv) protecting natural resources including air, water and biodiversity and (v) supporting a healthy and diverse community including customers, stakeholders, suppliers, and employees. The Southern Company has developed and committed to several quantitative and qualitative targets and publishes relevant reports and disclosures on its website.

- As a major supplier of energy in four southern states, through its subsidiaries, GHG emissions are a material sustainability impact for Southern Company. In 2018, the company published its report "Planning for a low-carbon future" setting a 2050 target of low to no GHG emissions and a 50%

reduction of 2007 levels by 2030.⁶ In 2020, the company expanded on this goal, committing to a net-zero goal by 2050 through the increased use of low-carbon and carbon-free resources/renewables, enhancing energy efficiency programs, and negative carbon strategies.⁷

- Between 2007 and 2019, coal decreased from 69% to 22% of the Company's annual energy mix and renewables increased from 1% to 12%.⁶ The Company projects that by 2024 its system will add an additional 4,400 MW of renewable generation and will continue to retire coal generation plants, with new commitments for renewables and storage exceeding those of natural gas.⁶
- The Southern Company and its subsidiaries are committed to protecting natural assets through an 18-year partnership with the National Fish and Wildlife Foundation which has support hundreds of conservation projects across the Southern United States.⁸ Projects have included the restoration of forest, riparian zones, wetlands, and species conservation, through \$14.2 million and over 1.7 million acres of land restored or enhanced.
- Key energy efficiency programs have been implemented to help Southern Company system customers use energy better. These include providing rebates for energy-saving improvements, in-home energy check-ups, power usage monitoring and assistance for low-income and senior citizens to help with energy bills.⁹
- PowerSecure Inc., a subsidiary of the Southern Company, has invested more than \$800 million in energy efficiency projects for its customers. Energy storage is another key area of energy efficiency research and development and the company currently has 440 MW of battery storage projects in operation or under development.⁷ PowerSecure has also deployed the Smart Homes Initiative, a project in Alabama and Georgia that is investigating, designing, engineering and building two smart communities. The homes are based on what the company believes homes will look like in 2040, with energy codes, technology and design for the future.¹⁰
- The Southern Company and its subsidiaries have invested over \$10 million in tuition reimbursement for employees, especially those that need to be retrained as a result of the retiring of coal power plants.⁹
- Southern Company has committed to a supplier diversity strategy that encourages the procurement of services and materials from small or diverse businesses to help support local communities.¹¹ In 2018, over 17% of procurement was done from small businesses and over 20% of procurement was done from diverse businesses, spending roughly \$1.1B and \$1.4B on small business and diverse businesses, respectively.¹¹

Sustainalytics is of the opinion that the Southern Company Sustainable Financing Framework is aligned with the Company's overall corporate responsibility strategy and initiatives and will further the Company's action on its key environmental priorities.

Well-positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are recognized by the Green Bond Principles (2018) and Social Bond Principles (2020) to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes.

Other key environmental and social risks associated with the eligible projects, could include occupational health and safety, community relations/stakeholder participation, land use and biodiversity issues associated with large-scale infrastructure development, emissions, effluents, and waste generated in construction.

Sustainalytics acknowledges that the Southern Company addresses some of the risks mentioned above through compliance with existing Federal and State regulations to the effect. Some of these regulations have

⁶ Southern Company, "Planning for a low-carbon future", (2018), at: <https://www.southerncompany.com/content/dam/southern-company/pdf/corporate-responsibility/Planning-for-a-low-carbon-future.pdf>

⁷ Southern Company, "Implementation and action toward net zero", (2020), at: <https://www.southerncompany.com/content/dam/southern-company/pdf/public/Net-zero-report.pdf>

⁸ Southern Company, "Environmental Stewardship - Amplifying Program Investments", (2020), at: <https://www.southerncompany.com/corporate-responsibility/environmental-stewardship/grants.html>

⁹ Southern Company, "2018 Corporate Responsibility Report", (2018), at: https://www.southerncompany.com/content/dam/southern-company/pdf/corporate-responsibility/2018_Corporate_Responsibility_Report.pdf

¹⁰ Southern Company, "How Southern Company's Smart Home Neighbourhoods are Transforming the Smart Home Industry", (2019), at: <https://www.southerncompany.com/newsroom/2019/may-2019/smart-neighborhoods-are-transforming-the-smart-home-industry.html>

¹¹ Southern Company, "Suppliers", 2020, at: <https://www.southerncompany.com/corporate-responsibility/community/suppliers.html>

been detailed below. In addition to such compliance, Sustainalytics encourages the issuer to develop and make publicly available internal policies related to environmental and social risks.

Sustainalytics is of the opinion that Southern Company can manage and mitigate potential risks through implementation of the following:

- Southern Company complies with the US Department of Labor's Occupational Health and Safety (OSHA) standard that provides guidelines to on-site personnel and the Company to identify, reduce or eliminate construction-related hazards.
- In 2018, Southern Company implemented the Critical Risk Management (CRM) process to ensure safety controls are in place during high-risk work. This system aids both workers and those overseeing work to use lifesaving controls to properly manage safety and health risks.
- Southern Company complies with federal and state requirements for an Environmental Impact Statement (EIS) before taking on any construction project. The EIS outlines potential impact of the project on the environment and provides guidelines for further due diligence.
- Through a Washington DC office, Southern Company engages with legislative and regulatory processes including the Federal Energy Regulatory Commission, Nuclear Regulatory Commission, Departments of Energy and Defense and the Environmental Protection Agency. The Company engages with stakeholders on a variety of ESG topics that help to inform decision making.

Based on such compliance and practices, Sustainalytics is of the opinion that Southern Company has adequate measures in place to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All eight use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused on three below where the impact is specifically relevant in the local context.

The importance of increasing the share of renewable energy in the United States

According to the Intergovernmental Panel on Climate Change (IPCC), as global energy demand rises at increasingly rapid rates due to population growth, shifting towards clean energy plays an important role in mitigating climate change and meeting the Paris Agreement's long-term goal of limiting temperature increases to well below 2°C, and ideally to 1.5°C.^{12,13} In 2019, due to slower economic growth and the impacts of milder weather on heating and cooling-related energy consumption, global energy demand increased by 0.9%, which was a lower rate of increase than in 2018. While the share of renewable energy in global energy production increased by 7.6% in the same year,¹⁴ fossil fuel energy still supplied approximately 84% of the global energy needs in 2019, with renewable energy only contributing to 5% of global primary energy supply.¹⁵ The International Renewable Energy Agency (IRENA) states that the total share of renewable energy must rise to approximately 66% of the total primary energy supply by 2050 in order to meet the 2°C target.¹⁶

While renewable energy generation in the United States has experienced significant growth since 2008, it accounted for a total of only 11% of the country's total energy consumption and approximately 17% of electricity generation in 2019.¹⁷ Specifically, wind energy contributed to 7.3% of total electricity generation in the country, while solar energy contributed 1.8% in the same year.¹⁸ According to the Department of Energy's National Renewable Energy Laboratory (NREL), by increasing renewable electricity generation from technologies that are presently available, there is capacity for 80% of the country's electricity to be generated from renewable energy, including through wind and solar generation, by 2050.¹⁹

¹² IPCC, Global Warming of 1.5°C: <https://www.ipcc.ch/sr15/>

¹³ OECD Green Growth Studies, Energy: <https://www.oecd.org/greengrowth/greening-energy/49157219.pdf>

¹⁴ UNEP, 'Uptick for renewable electricity generation in 2019': <https://www.unenvironment.org/news-and-stories/story/uptick-renewable-electricitygeneration-2019>

¹⁵ BP, Statistical Review of World Energy 2020: <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energyeconomics/statistical-review/bp-stats-review-2020-full-report.pdf>

¹⁶ IRENA, Global Energy Transformation: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2018/Apr/IRENA_Report_GET_2018.pdf

¹⁷ EIA, 'U.S. primary energy consumption by energy source', (2019), at: <https://www.eia.gov/energyexplained/us-energy-facts/>

¹⁸ EIA, 'What is U.S. electricity generation by source': <https://www.eia.gov/tools/faqs/faq.php?id=427&t=3>

¹⁹ National Renewable Energy Laboratory, Renewable Electricity Futures Study: <https://www.nrel.gov/docs/fy13osti/52409-ES.pdf>

Considering the above, Sustainalytics believes that the activities carried out under the Framework will provide meaningful contribution towards increasing the share of renewable energy generation in the United States, and will positively impact global decarbonization efforts.

Importance of minority- and women-owned business procurement

Small businesses in the U.S. are a key driver of economic growth. According to the Small Business Administration these firms contributed over 60% of net new jobs over the period 1993 to 2016.²⁰ Despite this large contribution to overall economic success, small businesses face barriers that do not impact their larger peers, particularly in terms of access to finance and opportunities as well as organization and managerial knowledge. Additionally, and of particular relevance as the economy begins to recover from the economic impacts of the COVID-19 pandemic, studies have shown that small businesses recover more slowly from economic shocks than larger entities.²¹ Beyond these challenges experienced by small businesses broadly, minority- and women-owned businesses, along with those operated by other historically underrepresented groups, may face additional obstacles, including that minority- and women-headed households generally have lower levels of household wealth, which in turn can make internal investment and external borrowing more difficult. Other barriers that may reduce rates of business formation among minorities include lower average credit scores and educational attainment; geographic or societal isolation from other communities.²² Despite these barriers, over the period of 2007-2012 the number of minority-owned businesses in the U.S. grew by 38% and gross receipts increased by 57%.²³ Similar trends emerge for women-owned businesses; according to the 2019 State of Women-Owned Business Report employment by women-owned businesses increased by 8%, more than four times that in the economy as a whole. Nevertheless, this report concludes that the “potential of women entrepreneurs for spurring economic growth has not been fully realized.”²⁴

Accordingly, Sustainalytics believes that activities carried out under the Framework will provide meaningful economic benefits to minority groups, including women.

The impact of green buildings in reducing GHG emissions

According to the World Green Building Council, the building sector is a significant contributor to both global energy use and total CO₂ emissions, with building construction and operations accounting for 36% of global final energy use and contributing nearly 40% of energy-related CO₂ emissions globally. In the United States alone, residential and commercial buildings account for 39% of total U.S. energy consumption and 72% of national electricity consumption.²⁵ The World Green Building Council states that while countries are continuing to implement and update building energy codes and certification policies, most expected building growth is expected in countries that do not have mandatory energy codes and policies in place as of 2018. Concurrently, investments in energy efficiency in buildings has slowed, with investments only experiencing a growth of 4.7% in 2017 (3% adjusted for inflation), which is cited as the lowest increase rate in recent years.²⁶ In this context, the Southern Company’s investments in office buildings and manufacturing facilities which have received certification from international building rating and certification systems such as LEED, BREEAM and Energy Star has the potential to significantly reduce GHG emissions associated with its overall operations.

²⁰ US Small Business Administration, Frequently Asked Questions About Small Business, at: <https://www.sba.gov/sites/default/files/advocacy/SB-FAQ2017-WEB.pdf>

²¹ McKinsey, “Small Business Recovery after the COVID-19 Crisis”, <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/us-smallbusiness-recovery-after-the-covid-19-crisis#>

²² Barr, Michael, “Minority and Women Entrepreneurs: Building skills and Capital”, https://www.brookings.edu/wpcontent/uploads/2016/07/minority_women_entrepreneurs_building_skills_barr.pdf

²³ NMSDC, “The Business Case for Minority Business Enterprises”, <https://www.nmsdc.org/wp-content/uploads/v3Alt-Wht-8.5-x11-Single.pdf>

²⁴ American Express, “The 2019 State Of Women-Owned Businesses Report”, https://s1.q4cdn.com/692158879/files/doc_library/file/2019-state-ofwomen-owned-businesses-report.pdf

²⁵ EPA Energy and Environment, Electricity Customers: <https://www.epa.gov/energy/electricity-customers#industrial>

²⁶ World Green Building Council, 2018 Global Status Report: <https://www.worldgbc.org/sites/default/files/2018%20GlobalABC%20Global%20Status%20Report.pdf>

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7 – Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Climate Change Adaptation	9 – Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
Energy Efficiency	7 - Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Clean Transportation	11 – Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Green Buildings	9 – Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Employment Generation	8 – Decent Work and Economic Growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
Access to Essential Services - Telecom	9 – Industry, Innovation and Infrastructure	9.C Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2030
Access to Essential Services - Education	4 – Quality Education	4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship




Conclusion

The Southern Company and its subsidiaries have developed the Sustainable Financing Framework under which they intend to issue sustainable financing instruments and use the proceeds to finance projects related to renewable energy, energy efficiency, green buildings, telecommunications infrastructure and to provide access to essential services and employment opportunities. Sustainalytics considers that the projects funded by the Sustainable Financing Framework will provide positive environmental and social impacts. The Framework outlines a process by which proceeds are intended to be tracked, allocated, and managed, and highlights the Company's intentions related to reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Company and that the sustainable use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 4,7,8,9 and 11. Additionally, Sustainalytics notes that Southern Company complies with regulations related to managing and mitigating environmental and social risks commonly associated with the eligible projects funded by the use of proceeds. Based on the above, Sustainalytics is confident that Southern Company and its subsidiaries are well-positioned to issue sustainable financing instruments and that the Sustainable Financing Framework is robust, transparent, and in alignment with the core components of the Sustainability Bond Guidelines 2018 and the Green Loan Principles 2020.

Appendices

Appendix 1: Green Building Certification Schemes

	LEED	ENERGY STAR	BREEAM
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	ENERGY STAR is a U.S Environmental Protection Agency voluntary program that provides independently certified energy efficiency ratings for products, homes, buildings, and industrial plants. Certification is given on an annual basis, so a building must maintain its high performance to be certified year to year.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Various schemes for new and refurbished buildings, as well as for the design phase or “in use” phase of a building.
Certification levels	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum 	<ul style="list-style-type: none"> • 1-100 score, 75 is minimum for certification 	<ul style="list-style-type: none"> • Pass • Good • Very Good • Excellent • Outstanding
Areas of assessment	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority 	<ul style="list-style-type: none"> • Energy use 	<ul style="list-style-type: none"> • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation
Requirements	<p>Minimum requirements independent of level of certification; point-based scoring system weighted by category to determine certification level.</p> <p>The rating system is adjusted to apply to specific sectors, such as: New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, and Existing Buildings: Operation and Maintenance.</p>	1-100 score based on energy use, as calculated through the Portfolio Manager tool. Raw score is adjusted based on location, operating conditions, and other factors. The numerical score indicates performance better than at least that percentage of similar buildings nationwide.	<p>Prerequisites depending on the levels of certification + Credits with associated points</p> <p>This number of points is then weighted by item¹⁵ and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p>

			<p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>
<p>Qualitative Considerations</p>	<p>Widely accepted within the industry, both in North America and internationally, and considered a guarantee of strong performance.</p>	<p>Accounts only for energy use, not other measures of environmental performance. Is a key component of other green building certification systems.</p>	<p>BREEAM and various national versions of BREEAM are considered robust and well-regarded in their markets and focus on the important environmental impacts of buildings both generally and in their local market context.</p> <p>Over 500,000 BREEAM certificates have been issued across more than 80 countries.</p>
<p>Performance display</p>			<p>BREEAM-scores</p> <ul style="list-style-type: none"> Pass Good Very Good Excellent Outstanding 

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	The Southern Company and its issuing subsidiaries
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Southern Company Sustainable Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	December 31, 2020
Publication date of review publication:	January 4, 2021

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarize the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|------------------------------------------------------------|----------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---------------------------------------------------------------------------------|----------------------------------------|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds – Renewable Energy, Climate Change Adaptation, Energy Efficiency, Clean Transportation, Green Buildings, Employment Generation, Access to Essential Services - Telecom, Access to Essential Services - Education – are aligned with those recognized by the Green Bond Principles 2018 (GBP), Social Bond Principles 2020 (SBP) and GLP. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 4, 7, 8, 9, and 11.

Use of proceeds categories as per GBP:

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Southern Company's internal process in evaluating and selecting projects is to be completed by a Sustainable Finance Coordination Group, made up of representatives from different business units, with oversight from the treasury department. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|-----------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

The Southern Company's management of proceeds will be the responsibility of its treasury department and it intends to allocate eligible funds within 12 months of the issuance of a financial instrument towards financing new projects or refinancing existing projects with a lookback period of 24 months from issuance. The Company intends on managing unallocated net proceeds in line with its internal liquidity policies. This is in line with market practice.

Tracking of proceeds:

- | |
|-------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

The Southern Company intends to report allocation proceeds on its website on an annual basis until full allocation. In addition, The Southern Company is committed to reporting on relevant impact metrics, where feasible. Sustainalytics views The Southern Company's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--------------------------------------------------------|-------------------------------------------------------|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|-------------------------------------------------------|---------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--------------------------------------------------|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--------------------------------------------------------|------------------------------------------------------------------|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|-------------------------------------------------------------|-----------------------------------------------------------------|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input type="checkbox"/> Other ESG indicators (please specify): |

Frequency:

- Annual Semi-annual
 Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
 Information published in ad hoc documents Other (please specify): Published on website
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

Allocation reporting will be reviewed by auditor.

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion) Certification
 Verification / Audit Rating
 Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework, or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines

specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

- iv. Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.



Named
2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

