



ENVIRONMENTAL SOCIAL GOVERNANCE REPORT

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Joint letter from the CEO and Chairman of the Board

Dear SMECO Members,

As a cooperative, our commitment to Environmental, Social, and Governance (ESG) principles is rooted in a legacy that began in 1937. By prioritizing environmental stewardship, fostering social responsibility, and ensuring robust governance, we're working together to ensure that our cooperative thrives and supports the well-being of our members, our communities, and our planet for generations to come.

SMECO is proud to deliver its third annual ESG report. This edition reflects our continued progress in providing members and community stakeholders with transparency into our efforts to serve as good corporate citizens. We will continue to improve the data we share and work to present the information in a way that is clear and useful to all readers. We will also refine our metrics to keep pace with best practices of ESG reporting as it matures as a discipline.

We understand the critical importance of electricity in the daily lives of our members and we remain committed to our mission of providing reliable, affordable, and sustainable energy solutions, while also actively contributing to the social, economic, and cultural fabric of the region.



Scott White finished his term as Chairman of the Board and officially passed the gavel to W. Rayner Blair, III in September 2023.

CORE VALUES

Our members, employees, and community stakeholders can count on us to be advocates of safety and civility and to live and work by our core values:

- Integrity 
- Accountability 
- Innovation 
- Safety 
- Commitment to community 

Every penny counts, especially in today's economic landscape. That is why we remain dedicated to managing costs without compromising on reliability and service. We are constantly working to ensure efficiency, streamline our operations, and make smart investments that save our members money in the long run. Your cooperative team also invested time and resources into seeking funding opportunities to reduce the burden of infrastructure costs.

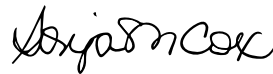
Listed below are a few notable developments since our last report.

- We are bringing our greenhouse gas (GHG) emission reporting up to date. GHG reporting in our previous ESG editions lagged one year behind. We took steps this year to accelerate completion of our calculations so we could pass along the findings to you in the current reporting year. The 2022 report, for example, reported GHG emissions for 2021. In this edition, we will report on both 2022 and 2023. Additionally, we have now collected enough consecutive years' data to plot trends to show how our emissions are changing over time.
- SMECO's residential rates were among the lowest in Maryland.
- In 2023, SMECO was selected to receive a grant from the U.S. Department of Energy for a total of approximately \$33.6 million to offset the cost of new transmission, distribution, and telecommunications investments in our local grid.

- SMECO was awarded the utility privatization contract for Naval Support Facility (NSF) Indian Head to include main base Indian Head and the Stump Neck Annex. SMECO will own, operate, and maintain NSF Indian Head's electric system for 50 years beginning November 2024.
- Your cooperative received a clean financial audit from our external auditors in 2023, highlighting our commitment to remain good stewards of our members' dollars. This has been the case for decades and will continue as a result of our rigorous processes and integrity.

Our industry is changing rapidly as are the ESG considerations for an electric utility like SMECO. We are keeping pace with these changes by implementing our Strategic Plan, and maturing our ESG reporting. Our goal is to report our progress across these dimensions with transparency and integrity, and we hope that you will use this report as one more way to hold us accountable moving forward.

Respectfully,



Sonja Cox
President and CEO



W. Rayner Blair
Chairman of the Board

VISION

- Sustainably energize
- Southern Maryland

MISSION

- Put members first by delivering
- safe, reliable, affordable, and
- sustainable electricity and related
- services that exceed expectations

PURPOSE

- To lead sustainably in providing
- reliable, safe, competitively priced
- electricity and related services
- that enhance the quality of life in
- Southern Maryland

CULTURE

- SMECO champions a culture
- where people are valued and the
- employee experience is driven
- by innovation, collaboration,
- inclusion, safety and trust

INTRODUCTION

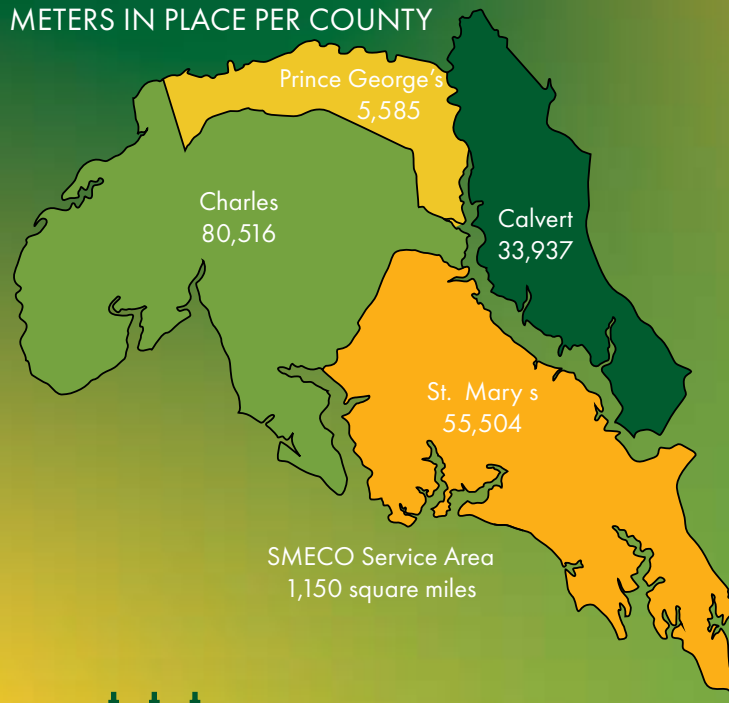


TOTAL CUSTOMERS:
175,869

"The annual meeting of the members shall be held... for the purpose of reporting the results of the election of directors, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting."

—Bylaws

METERS IN PLACE PER COUNTY



TOTAL MILES OF LINE: 10,618.6

Overhead lines:
3,139 miles

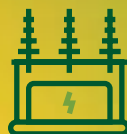
Underground lines:
6,987 miles

Distribution: 10,126 miles

Transmission: 492.6 miles



NUMBER OF
SUBSTATIONS: **53**



NUMBER OF
SWITCHING STATIONS: **16**



CUSTOMERS PER MILE OF DISTRIBUTION LINE: **17.37**

Incorporated in 1937, Southern Maryland Electric Cooperative (SMECO) is now one of the 15 largest electric distribution cooperatives in the United States. We provide electric service to more than 175,000 metered services in Charles County, St. Mary’s County, southern Prince George’s County, and most of Calvert County.

Cooperatives offer an alternative to the standard business model. Unlike a corporation, which is owned by investors, a cooperative is jointly owned and democratically controlled by the people who use its services. They come together voluntarily to meet common economic, social, and cultural needs. It is a not-for-profit entity.

As an electric distribution cooperative, every customer with an account is a member—an owner—of SMECO. Members vote to elect the 15 Board of Directors who represent the membership through their guidance and oversight of the cooperative. Each county in the cooperative’s service area has representation on the Board. Directors are elected to serve three-year terms where they each represent all of the counties SMECO serves.

SMECO’s Board works with the cooperative’s management team, which is comprised of seasoned industry professionals who have extensive experience in utility management.

The mission of our Board, our management team, and every employee at the cooperative is to put members first by delivering safe, reliable, affordable, and sustainable electricity and related services that exceed expectations. This mission has roots from our founding, when determined members of the community worked together to electrify Southern Maryland.

SMECO was built by this community for this community, and we are committed to serving as good stewards for the future of our region. We do this by supporting the sustainable growth and livelihood of Southern Maryland through economic, social, and environmental investments.

OUR GOVERNANCE MODEL

Type of Electric Utility			
Governing Body	Board of Directors Elected by members	City Council Elected by residents	Board of Directors Elected by shareholders
Service Area	Small to mid-size rural communities	Small to large cities	Large, urban, industrial and rural, frequently dense population
Structure	Private, nonprofit	Public, nonprofit	Private, for-profit
Business Model	Provides electricity at competitive rates. Profits are reinvested and returned to members as capital credits.	Provides electricity at competitive rates. Profits are returned to the city.	Provides electricity at competitive rates. Profits are returned to the city.
Owned by	Members	Local government	Shareholders
Regulated by	Board of Directors Public Service Commission	City Council	Public Service Commission

OUR HISTORY

On **May 11**, President Franklin Roosevelt established the Rural Electrification Administration (REA).

1935

On **February 5**, the Southern Maryland Tri-County Cooperative Association was incorporated. Later, the name became Southern Maryland Electric Cooperative, Inc.

1937

1938

SMECO energized its first generating plant at Popes Creek, Maryland. This plant initially served 400 families.

District offices opened in Calvert and St. Mary's counties.

1946

1976

SMECO connected its 50,000th meter.

A new headquarters office opened in Hughesville.

1981

2001

Pursuant to state law, SMECO offered Customer Choice to its largest commercial members on **January 1**; all remaining members became eligible for Choice on **November 1**.

2005

SMECO began purchasing power on the competitive open market with the assistance of ACES.

2012

Construction of SMECO Solar LLC began in **August** and the 5.5 MW facility became operational in **mid-December** of that same year.

TODAY

With more than 174,000 meters in place, SMECO is among the largest electric cooperatives in the nation.

2013

SMECO finished construction of the new 165,000-Square-foot Engineering and Operations Center in Hughesville.

2017

Smart meters serve all of SMECO's members.

2020

SMECO adapted quickly to the COVID-19 pandemic, transitioning 241 on-site employees to teleworkers and revising work processes to ensure social distancing.

2021

The first of the SMECO EV Recharge stations for electric vehicles went into operation in Leonardtown. To put a wider emphasis on sustainability, SMECO leaders adopted a new vision to sustainably energize Southern Maryland.

2022

SMECO releases its first Environmental, Sustainability, and Governance (ESG) Report to the public to demonstrate its commitment to sustainably energize Southern Maryland

THIS REPORT

Environmental, Social, Governance (ESG) reporting is the disclosure of information about an organization's operations in relation to these three areas of business. It presents an update on SMECO as a "corporate citizen" to our region.

While not a requirement, our leadership wants to ensure we regularly inform our members and offer transparency into our ESG efforts. SMECO lives its values, which reflect the values of the members we serve.

As an electric cooperative, ESG is, and always has been, at the heart of our operations. The cooperative principles and SMECO's core values of integrity, accountability, innovation, and commitment to community motivates the cooperative and its employees to act in the best interest of our community. This is clear in our democratic governance model and community-centric culture.

ESG is no longer a lofty goal for companies but a business imperative. Our ESG initiatives and strategy were developed by staying true to our foundation of integrity, ethics, and collaboration.

Our environmental priorities emphasize energy efficiency, stewardship of the local habitats, protection of birds and wildlife, and renewable energy.

Our social priorities for the Southern Maryland community have continued to involve our members and employees in philanthropic donations of money and time, workforce development, and positioning the cooperative as an employer of choice.

Our governance priorities include our democratic representation, open elections, regulatory compliance, ethical accounting, and even the publication of this ESG report as accountability for the impact of the work we do.

Our ESG reporting reflects the outcome of our initiatives. In this report, we share highlights of our efforts and outcomes, and we compare the progress of our initiatives with industry benchmarks and targets.



Crews install an osprey platform to protect birds and our equipment.

About the cooperative

SMECO was born from a need for electricity in rural Southern Maryland and became reality thanks to the teamwork and dedication of a handful of motivated community members. In the 1930s, no electricity provider wanted to serve rural Southern Maryland. The corporate electric utilities thought it was too expensive and not worth the risk to invest in rural America. In response, hardworking and determined community members banded together to form an electric cooperative and brought the power to their community. This attitude endures today. Since its inception, SMECO has been community-led, and collaboration for the greater good has remained integral to our work since those first days in 1937.

For over 85 years, SMECO has transformed the experience of living in Southern Maryland. We are a cooperative—and we are proud of it. Cooperatives, unlike other utilities, are owned by the members they serve. We are a nonprofit entity fully dedicated to our mission of providing members with safe, reliable, affordable, and sustainable electricity and related services. Our members come first. Seven Cooperative Principles are the foundation of our mission-driven business model, and for over eighty years, these principles have guided our decision making. These core principles also demonstrate our intrinsic commitment to ESG and how sustainability is built into the foundation of our business.

When our cooperative was founded, our members wanted access to electricity. Today, they tell us they also want SMECO to care for the environment and community while maintaining our commitment to affordable and reliable power. We are listening. We will continue to honor our roots as we innovate in this changing world, and we hope you will join us on this journey.

DIRECTOR HIGHLIGHTS



named to Maryland
Agriculture Hall of Fame



W. Rayner Blair, III • St. Mary's

SMECO Board member since 1999.



Blair was elected as the Board Chairman in September 2023. Owner of Blair's Jewelry and Gifts and Suntime Tanning LLC, Blair also serves as president of the Blair Real Estate Development Company. Blair has served on the Board of Cedar Lane since 2013. He is a member of the St. Clements Island Museum and St. John's Church. An avid boater, he is the current president of the Southern Maryland Boating Club. He is a graduate of the University of Maryland.

Charles B. Bowling, Jr. • Charles

SMECO Board member since 2023.



A longtime farmer and advocate for high standards in the agricultural industry, Bowling owns Bowling Agri-Services and co-owns Bunker Hill Farm. He is also active on many agricultural associations. He served as vice chair and chair of the U.S. Farmers and Ranchers Alliance and as president of the National Corn Growers Association. Bowling is a former president of the Maryland Grain Producers, a former director of the Charles County Chamber of Commerce, and a former member of the Charles County Rural Development Committee. He has been a member of the Charles County Farm Bureau since 2008. Bowling was named to the Maryland Agriculture Hall of Fame in 2017.

David A. Cross, Jr.* • Prince George's

SMECO Board member since 2024.



The Brandywine resident and Gwynn Park graduate is the manager and owner of R & D Cross, Inc.—a family-owned, farm supply business—as well as the manager of R & D Cross Custom Buildings. The family business has served Southern Maryland for 97 years and Cross has managed it since 1986. Cross graduated from the University of Maryland in 1985 with a Bachelor of Arts in business administration and a minor in marketing. He earned his degrees while playing three years of collegiate baseball. Cross has served as a basketball referee for the past 35 years. He is president of the Maryland Basketball Officials Association (MBOA) and the Charles-St. Mary's (CHASM) Baseball League. Cross is also a member of Prince George's County Farm Bureau, and his family farm was named to the Maryland Governor's Agricultural Hall of Fame in 2020.

* David A. Cross was appointed to fill James A. Richards' seat in Prince George's County. Richards resigned in February 2024, after serving as a cooperative Board member since 2001.



Kenneth W. Cross • Charles

SMECO Board member since 2021.

Cross currently serves on the Policy, Audit, and Budget Committee and the Public Relations Committee. He is a veteran of the U.S. Navy, serving aboard the USS Providence during the Vietnam conflict. He is very active in his community, as well. Cross is vice president of the Jude House board and a member of the legislative committee of the Charles County Chamber of Commerce. He has served as the president for the Center of Children and Alternatives for Youth and Family. He is also a graduate of the Citizens Police Academy offered by the Charles County Sheriff's Office.



William R. Cullins, III • St. Mary's

SMECO Board member since 2010.

Cullins was elected as Board Vice Chairman in 2023. His family has owned and operated Mt. Chance Farm, a state designated Century Farm, for several generations. He is the president and part owner of Cullins Trucking, Inc. in Clements, and vice president and part owner of Wicomico Grain Elevator in Wicomico. He graduated from St. Mary's Ryken High School. Cullins is a current member of the St. Mary's County Chamber of Commerce and Seventh District Optimist Club. He also serves on the Finance Committee for Sacred Heart Church in Bushwood, MD. He previously served as a longtime chairman of the St. Mary's County Alcoholic Beverage Board, as well as a volunteer for the Seventh District Volunteer Fire Department. Since 2009, he has traveled internationally as a volunteer for Habitat for Humanity's Global Village Program, building homes in Central and South America.



Daniel W. Dyer • Prince George's

SMECO Board member since 1981.

Dyer served as SMECO Board Chairman from 2003 until 2008. Dyer has a long career in state and local government. He was the chief aide to the chairman of the Prince George's County Council and the county executive. He also served as executive assistant to the Maryland Secretary of State and retired from the Maryland State Department of Assessments and Taxation. Dyer has served on many boards and commissions, including the Prince George's County Housing Authority, United Citizens Against Poverty, the Citizens Advisory Committee for U.S. Route 301, and the Accokeek Development Review District Commission. Dyer attended Prince George's Community College and the University of Maryland. He served in the Maryland National Guard for six years and also served on the NRECA Board of Directors as the Maryland representative for 10 years.

LEADERSHIP

SMECO's Board of Directors is comprised exclusively of SMECO members who live and work in Southern Maryland. Each county we serve is represented on the Board and Directors whose members are elected based on votes cast by SMECO members as part of the Annual Members' Meeting.

The individuals who serve on SMECO's Board are invested in the wellbeing and future of Southern Maryland, and they know the cooperative plays a critical role in our local community. The group represents a variety of industries and backgrounds but they all bring with them the knowledge, talent, and experience that helps shape and guide the direction of the cooperative.

Our members are best served by a Board that is properly educated, trained, and informed about current issues and standards for electric providers and cooperatives. Directors may not come into their Board position with a vast understanding of SMECO or the electric industry, but from day one, they invest time and energy into deepening their knowledge of the electric industry, cooperatives, and SMECO. Their tenure on the Board begins with new director orientation, a two-day immersive introductory into the responsibilities of the different departments within SMECO. Directors also attend training sessions provided by the National Rural Electric Cooperative Association (NRECA), which serves about 900 electric cooperatives nationwide. Through NRECA, electric cooperatives across the country have built a strong network of like-minded organizations that put their members first.

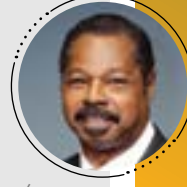
The NRECA provides comprehensive training programs for cooperative Board of



Kenneth L. Dyson • Charles

SMECO Board member since 1974.

Dyson currently serves as the Assistant Secretary-Treasurer. Dyson is a former realtor with Coldwell Banker Jay Lilly Realtors. Past president of the Mechanicsville Lions Club and past district governor of the Lions Club District 22C, Dyson remains active in community affairs. He has also served as director of the Hughesville Volunteer Fire Department and is a former trustee of Civista Hospital (now the University of Maryland Charles Regional Medical Center). Dyson also served on the committee for the revitalization of Hughesville and is active in Grace Church, Waldorf.



J. Douglas Frederick • St. Mary's

SMECO Board member since 2007.

Frederick retired with more than 37 years of service with the St. Mary's County Public School system. During his tenure, he served as a certified Asbestos Hazardous Emergency Response Act Inspector/Management Planner, and he also managed the department's contracts, personnel in the building trades area, and the summer student program for the maintenance department. Frederick held the positions of vice president and board member of the St. Mary's County Classified Employees Association. He is an active member of St. Joseph's Catholic Church in Morganza, member of the National Association for the Advancement of Colored People, past board member and member of the Unified Committee for Afro-American Contributions, past board chairman and board member of Southern Maryland Tri-County Community Action Committee, Inc., and board member of Feed St. Mary's.



Susan Hance-Wells • Calvert

SMECO Board member since 2021.

A lifelong resident of Calvert County, she has shared her knowledge and expertise in supporting agricultural and land preservation efforts locally. Hance-Wells graduated from the University of Delaware with a bachelor's degree in agriculture, and since then has managed her family's 320-acre farm, taking it from a tobacco and cattle farm to a farm-to-table operation. She has served on the Agricultural Land Preservation Board, the Planning Commission, the Colonial Farm Credit Board, and the Farm Bureau in Calvert County. She served on the corporate board of the Southern States Cooperative for six years, and is currently the chair of the Calvert County Board of Appeals.



George Heinze • Charles

SMECO Board member since 2022.

A local business owner, Heinze is committed to Southern Maryland. He has owned Pizza Hotline in Charlotte Hall since 1984 and he also owns a real-estate company, Heinze Realty. He has served on the board for his alma mater, St. Mary's Ryken High School, St. Mary's Bryantown School, and is vice president of the Wicomico Valley Foundation. He graduated from Loyola College in 1984 with a Bachelor of Science degree. At St. Mary's Newport Church, Heinze serves on the parish/finance council and teaches Confraternity of Christian Doctrine classes.



Joseph Gilbert Murphy • St. Mary's

SMECO Board member since 2020.

Murphy owned and operated the Murphy's Town and Country store from 1979 to 2020. He was a commissioner for the St. Mary's County Metropolitan Commission from 1998 to 2006, including a term as vice chairman. Murphy is an active member of his community. He has belonged to the Seventh District Volunteer Rescue Squad since 1985 and to the Seventh District Optimist Club since 1981, serving in leadership posts in both organizations. In local education, he was a board member and vice president for Holy Angels-Sacred Heart School. He is a past board member for the Family Council for St. Mary's Nursing Center and he currently serves on the Finance Council of Holy Angels Church. Murphy was recently voted in as Member-at-Large for the Tri-County Council for Southern Maryland.



W. Michael Phipps • Calvert

SMECO Board member since 1998.

He, like many others on SMECO's Board, is active in community service. As a past president of the Board of Directors of the Calvert Farmland Trust, Phipps has worked to preserve farmland in the county. Since 1987, Phipps has been active in the Maryland Farm Bureau and for three years served as its statewide president. Phipps has also served as a member of the Calvert County Planning Commission and serves currently as president of the Calvert Historical Society. Phipps is a farmer and licensed funeral director. He is also a member of a popular bluegrass band.



Scott White • St. Mary's

SMECO Board member since 2010.

White served five years as Chairman. He moved to St. Mary's in 1992, when he was selected to attend

Directors with training sessions that cover a range of topics essential for effective board service, including fiduciary responsibilities, strategic planning, financial oversight, regulatory compliance, and industry trends. The programs equip directors with the knowledge and tools needed to make informed decisions, ensure the cooperative's financial health, and navigate the evolving energy landscape. Through a mix of in-person workshops, online courses, and peer learning opportunities, NRECA aims to strengthen the leadership capabilities of cooperative boards, fostering a collaborative and effective governance structure. Many of SMECO's seasoned directors have received their Director certification from NRECA's training programs.

The progressive certification process has three distinct parts.

1. **Credentialed Cooperative Director (CCD)** is a foundational program covering essential governance knowledge and skills. The five courses include information on director duties and liabilities, understanding the electric business, board roles and relationships, strategic planning, and financial decision-making.
2. **The Board Leadership Certificate (BLC)** training is available to Directors who have completed their CCD. This training focuses on advanced governance issues and covers risk management, technology, policy development, community engagement, and more.
3. **The Director Gold Credential** recognizes Directors committed to continuing their education and expanding their knowledge and skills. This credential is maintained through continued education.

the Navy Test Pilot School. He retired from the U.S. Navy with 20 years of active duty service, including participating in combat operations in Kuwait and Iraq during Operation Desert Storm, and served as a systems engineer at the Naval Air Systems Command. He is currently president and CEO of Holmes-Tucker International, Inc. White has had experience with managing multi-million-dollar projects, planning and executing military operations, and implementing technology-based management information systems to transform raw data into actionable information. He is director and treasurer of the Patuxent River Chapter of the Navy League. White holds a Bachelor of Science degree in civil engineering from Virginia Military Institute and a Master of Science degree in systems management from the Naval Postgraduate School.

Richard A. Winkler • Charles

SMECO Board member since 2006.

Winkler served five years as Chairman. He also served as the Director of Fiscal and Administrative Services for the Charles County government, retiring after 27 years of service. He was appointed to the Board of the University of Maryland Charles Regional Medical Center for nine years, serving as vice chair, secretary/treasurer, executive committee member, and chairman of the Finance Committee. Winkler is a past president of the Charles County Board of Fire and Rescue Commissioners, and the Charles County Rotary Club. He is currently on the Board for ACES Power Marketing in addition to serving as chair of the McDonough Charity School Scholarship Foundation. Winkler enlisted in the U.S. Air Force in 1964 and was recalled to active duty in 1969 and 1970. He holds degrees in finance and administration from the College of Southern Maryland and the University of Maryland University College.



Nancy W. Zinn • Calvert

SMECO Board member since 2006.

Zinn is the current Board Secretary-Treasurer. She has been heavily involved in the local community over the years and currently serves as treasurer for the Calvert County 4-H All Stars, associate director and corresponding secretary for the Calvert County Fair Board, treasurer for the Miss Tranquility and Lord Calvert Contest Committee, and co-chair of the Youth Day Committee. In addition, she serves as treasurer on the Friends of the One Room School #7 Board of Directors, and as treasurer and chair of the Spirit Committee for the St. Leonard Vision Group. Zinn retired in July 2013 from Calvert County Public Schools as purchasing supervisor. Prior to that, Zinn worked for the Navy Department and the H. B. Trueman Lumber Company in St. Leonard for 20 years.



In addition to training programs, the NRECA offers a range of support services to help Board members govern effectively and stay informed about industry developments, including access to publications and resources, advocacy and legislative support, peer networking opportunities, consulting services, research and data analysis, crisis management and risk mitigation support, technology and innovation support, legal and regulatory guidance, and member engagement and communication tools. These support services, combined with the comprehensive training programs, ensure that cooperative Board members have the knowledge, tools, and resources they need to lead their organizations effectively and navigate the evolving energy landscape.

SMECO's Board of Directors meets every month to provide input and guidance to the executive team, hear updates about the operations of the cooperative and ensure accountability in all aspects of cooperative business. Directors can also choose to serve on various Board committees focused on key needs within the cooperative. The Board works hand-in-hand with SMECO's president and CEO and executive team to ensure the cooperative maintains its standard of excellence at all levels. The Board reviews and confirms annual work programs, financial plans, contracts, internal SMECO employee policies, external communication policies, rates, and tariff changes.

The executive team is comprised of the president and CEO, as well as five senior vice presidents who each oversee an integral facet of the cooperative. The executive team brings with them decades of experience in their chosen fields, including multiple decades at the cooperative.

Members of the executive team use their combined experience to shape the goals and objectives of the teams they lead. In 2023, the cooperative's leadership kicked off the 2023–2027 Strategic Plan, updating the initiatives that shape the daily work performed at SMECO. Working together with the SMECO Board, the executive team set the strategic vision of the cooperative, ensuring the goals and objectives aligned with SMECO's ultimate mission of putting the members first by delivering, safe, reliable, affordable, and sustainable electricity and related services that exceed expectations.

The Board and executive team are accountable to the cooperative's members, who shape how SMECO is governed by participating in the Annual Meeting election process. SMECO's members elect the community members who serve on the Board and also vote on proposed bylaw changes. Bylaws govern the way an electric cooperative does business, including the process of electing new Directors.

BOARD COMMITTEES

Board Risk Oversight Committee

Ensures that the cooperative is effectively monitoring and mitigating key risk exposures that threaten the successful operation and mission of the cooperative.

Chair: Richard Winkler

Committee members: Susan Hance-Wells, Gilbert Murphy, Michael Phipps, and Scott White



Committee on Strategy and Innovation

Assists and guides the Board in developing, maintaining, and executing a viable strategic plan. It provides critical thinking and direction in advancing SMECO's practical adoption of innovation to the benefit of our cooperative in the workplace, key services, related markets, systems, and other vital deliverables.

Chair: Scott White

Committee members: Kenneth Cross, William Cullins III, Daniel Dyer, and Richard Winkler



Personnel and Benefits Committee

Reviews and evaluates the salary plan and benefits of the cooperative and evaluates the performance of the President/CEO on an annual basis. It administers the Employee Pension Plan, reviews the adequacy of employee benefit insurance programs, and oversees the workers' compensation trust.

Chair: William Cullins III

Committee members: Daniel Dyer, Gilbert Murphy, Scott White, and Richard Winkler



Capital Projects Committee

Reviews the use and adequacy of cooperative facilities and properties, and oversees any major capital construction projects as determined appropriate by the Chairman of the Board.

Chair: Susan Hance-Wells

Committee members: Charles Bowling Jr., William Cullins III, Daniel Dyer, J. Douglas Frederick, and Nancy Zinn



Public Relations Committee

Develops, with the President/CEO and Senior Vice President of External Affairs, the cooperative's public relations programs, the annual members' meeting, and SMECO's position on proposed and existing legislation before the Maryland General Assembly.

Chair: J. Douglas Frederick

Committee members: Kenneth Cross, David Cross Jr., Kenneth Dyson, and George Heinze



Policy, Audit and Budget Committee

Ensures the cooperative has an effective policy manual to carry out its aims and objectives. Reviews the cooperative's bylaws, ensures the cooperative's annual financial audit is researched and evaluated by a Certified Public Accountant, and reviews the audit results. Additionally, it reviews and makes the recommendation to the full Board regarding the President/CEO's annual proposed operating and capital budgets.

Chair: Michael Phipps

Committee members: Kenneth Cross, Kenneth Dyson, George Heinze, and Nancy Zinn





Sonja M. Cox • President and CEO

Cox has been with the cooperative for 25 years and, in 2020, was appointed as SMECO's fifth president and Chief Executive Officer in its 83-year history. She holds a Master of Business Administration in finance from John Hopkins University, and a Bachelor of Science in accounting from the University of Maryland University College.

Cox is currently the vice chair of the Board of Trustees and chair of the Human Resources and Benefits Committee for the College of Southern Maryland, a member of the Board of Directors and Strategic Planning Committee for ACES Power Marketing, a member of the Board of Directors for the National Renewables Cooperative Organization (NRCO). She was selected as one of the Daily Record's 2016 Top 100 Women of Maryland.



Beth A. Kennedy • Senior Vice President, Financial Services and CFO

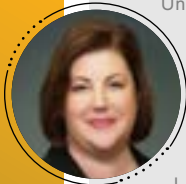
Kennedy became senior vice president of financial services and the Chief Financial Officer for SMECO in 2021. She has been with the cooperative for 23 years. Kennedy holds a Master of Science in International Management and a Bachelor of Science in accounting from the University of Maryland University College.



Mark A. MacDougall • Senior Vice President, External Affairs, and General Counsel

MacDougall was hired as the senior vice president of External Affairs and General Counsel for the cooperative in 1998. He holds a Juris Doctor from the University of Maryland School of Law, a Master of Business Administration, and a Bachelor of Science in accounting from the University of Maryland, College Park.

MacDougall is a Board member for the Maryland-District of Columbia Utilities Association.



Cindy M. Rauner • Senior Vice President, Human Resources and CHRO

Promoted to senior vice president of Human Resources and Chief Human Resources Officer from vice president in 2021, Rauner has been with the cooperative for 16 years. She holds a Master of Science in human resources management from the University of Maryland University College and a Bachelor of Science in economics from Frostburg State University.

Rauner is a member of the Workforce Development Board and Youth and Young Adults Committee for the Tri-County Council for Southern Maryland, and a board member for the Southern Maryland Community Network.



Roger E. Schneider • Senior Vice President, Engineering and Operations, and COO

Schneider has worked for the cooperative for 27 years and became senior vice president of engineering and operations and Chief Operating Officer in 2021. He holds a Bachelor of Science in electrical engineering from Pennsylvania State University.



Joseph Trentacosta • Senior Vice President, Customer and Enterprise Services, and CIO

Trentacosta joined SMECO as senior vice president and Chief Information Officer in 2003. He holds a Master of Business Administration in finance from New York University and a Bachelor of Science in finance from Fordham University. Trentacosta is currently a member of the Board of Directors for ReliabilityFirst Corporation.

SMECO'S ANNUAL MEETING AND VOTING PROCESS

Members of SMECO's Board of Directors are elected for staggered terms with one-third of the Board elected each year to serve three-year terms. The election process is fundamental to the cooperative business model and provides the opportunity for every SMECO member to have a voice in the governance process.

The election process begins in the spring, when the Board appoints the nominating committee, a group of five to eleven cooperative members that represent different counties in the service area. The nominating committee reviews candidate applications to ensure the applicants meet all of the eligibility requirements and are capable of serving in the position. All eligible members interested in running for an open position are able to submit their application to run by nomination or they can choose to run by petition. Members running by petition must still meet eligibility requirements and will need to provide a petition signed by 15 other cooperative members who support their decision to run for a seat.

All cooperative members receive mailed ballots at the opening of the election cycle, and email ballots are also sent to any member with an email on file. Votes are placed online or by mail, and the results are announced at the Annual Meeting held in late summer. Terms take effect soon after the Annual Meeting with the swearing in occurring during the next full meeting of the Board of Directors.

Your cooperative lives and works by the core values of integrity, accountability, innovation, a commitment to community, and safety. As an electric provider created by members for members, a culture of self-governance is present across our business—from employees to executives to the Board. Good governance has been ingrained in SMECO's business since day one, and it continues to be the guiding force behind the innovation and improvements aimed at serving our members.



Cooperative member signing in for the 2023 Annual Meeting.

Seven Cooperative Principles

VOLUNTARY AND OPEN MEMBERSHIP

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

DEMOCRATIC MEMBER CONTROL

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

MEMBER ECONOMIC PARTICIPATION

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership.

Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

AUTONOMY AND INDEPENDENCE

Cooperatives are autonomous, self-governing 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 by their members and maintain their cooperative autonomy.

“Cooperatives around the world operate according to the same set of core principles and values, adopted by the International Co-operative Alliance. Cooperatives trace the roots of these principles to the first modern cooperative founded in Rochdale, England in 1844. These principles are a key reason that America’s electric cooperatives operate differently from other electric utilities, putting the needs of their members first.”

—NRECA

EDUCATION, TRAINING, AND INFORMATION

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives.

They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperation.

COOPERATION AMONG COOPERATIVES

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.

CONCERN FOR COMMUNITY

While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

FINANCIAL RESPONSIBILITY



\$1.4 BILLION
IN UTILITY PLANT ASSETS

3.2 MILLION
MWh SALES

"The cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons."

—Bylaws



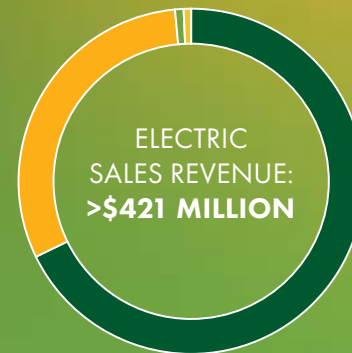
\$177,990 donated to 240 local non-profit organizations
\$1 per member/per year



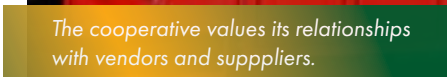
\$10,000 in scholarships awarded annually
124 students since 1993



\$58k raised by employees for Cornerstone SOMD



We also ensure our community flourishes by supporting the sustainable growth and livelihood of Southern Maryland. We understand that supporting local businesses is essential for economic growth and vitality. That is why, whenever possible, we prioritize relationships with local vendors and suppliers for goods and services needed for our operations. We believe that by reinvesting in local businesses, we help strengthen the local economy and contribute to its overall wellbeing. SMECO is also one of the largest employers in the local area, providing careers for close to 500 people who live in this region.

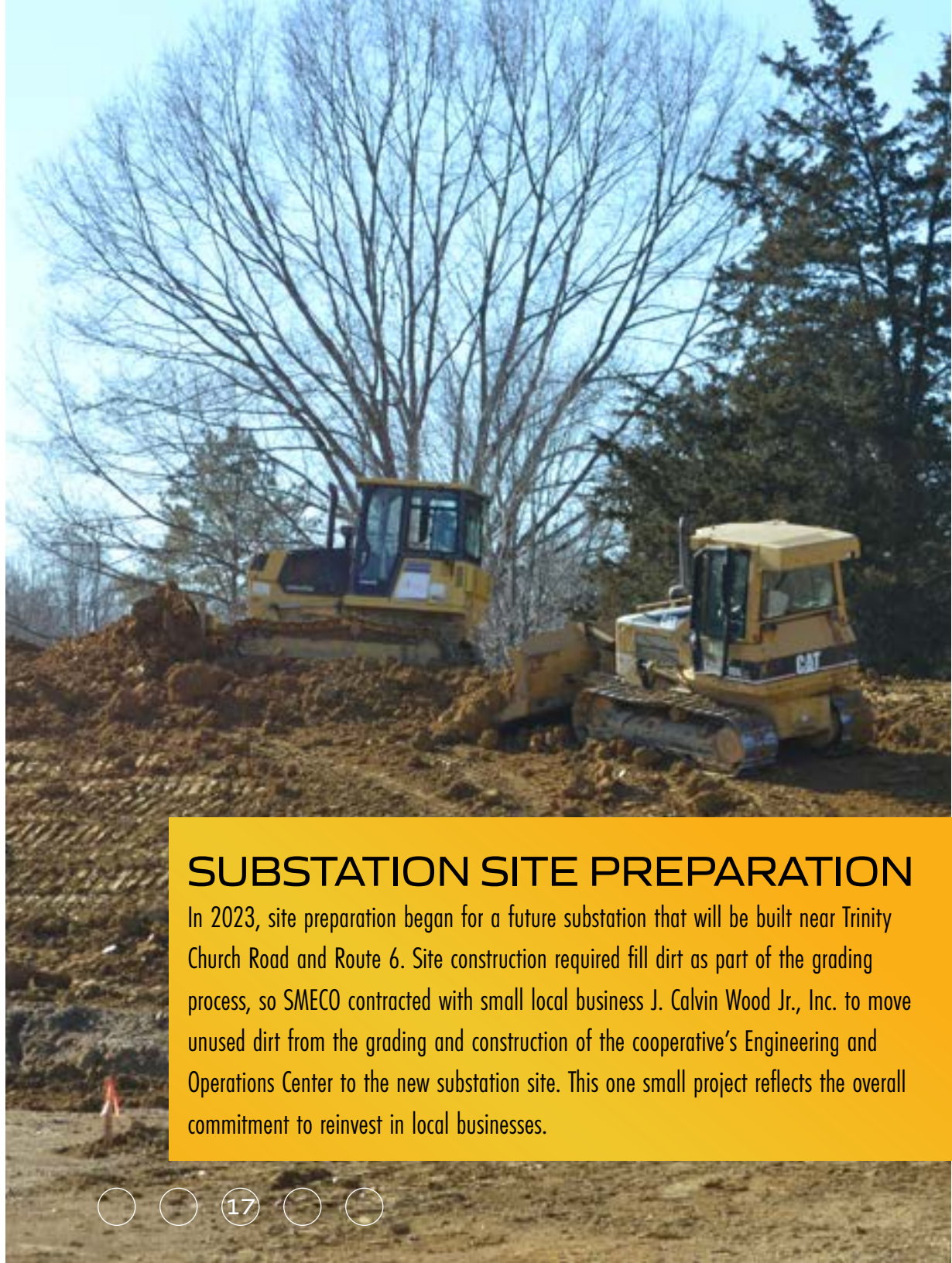


- ACES Power Marketing
- Association of Energy Services Professionals
- Association of Large Distribution Cooperatives
- Calvert County Chamber of Commerce
- Calvert Minority Business Alliance
- Capital Region Minority Supplier Development Council
- Charles County Chamber of Commerce
- Charles County Farm Bureau
- CoBank
- Cooperative Response Center
- Electric Research & Manufacturing Cooperative
- Maryland Chamber of Commerce
- MD-DC Utilities Association
- Maryland LGBTQ Chamber of Commerce
- Maryland Washington Minority Companies Association
- National Cooperative Services Corporation
- National Renewables Cooperative Organization
- National Rural Telecommunications Cooperative
- National Rural Electric Cooperative Association
- National Rural Utilities Cooperative Finance Corporation
- National Safety Council
- National Veteran Owned Business Association
- Prince George's County Chamber of Commerce
- PJM Interconnection
- St. Mary's County Chamber of Commerce
- Smart Electric Power Alliance (SEPA)
- Southern Maryland Minority Chamber of Commerce

Supporting local and diverse suppliers

Ensuring reliable service requires consistent maintenance of and regular upgrades to the electric grid. These costs are covered by the facilities charge and the distribution charge on the electric bill, which pays for cables, poles, substations, vehicles, office buildings, and employees, and more. When purchasing the necessary equipment and services to ensure continued reliability, the cooperative looks for affordability and quality first. SMECO also considers how those dollars will affect the community. Where possible, the cooperative reinvests the money from its distribution services charge back into the local economy by supporting local businesses. We also put effort and intention behind ensuring our suppliers represent our broad population.

In 2009, SMECO signed a Memorandum of Understanding with the Maryland PSC pledging our commitment to the goal of spending at least 25 percent of our procurement dollars with diverse suppliers. This MOU was revised and renewed in 2023.



SUBSTATION SITE PREPARATION

In 2023, site preparation began for a future substation that will be built near Trinity Church Road and Route 6. Site construction required fill dirt as part of the grading process, so SMECO contracted with small local business J. Calvin Wood Jr., Inc. to move unused dirt from the grading and construction of the cooperative's Engineering and Operations Center to the new substation site. This one small project reflects the overall commitment to reinvest in local businesses.

This goal can be met through direct engagement with diverse suppliers, where SMECO initiates purchase orders and directly pays the diverse supplier. The 25 percent goal also includes indirect spending, when the non-diverse businesses working with SMECO solicit work from diverse businesses on behalf of the cooperative.

The cooperative's purchasing team actively seeks out diverse suppliers by attending conferences and events. All businesses interested in working with SMECO—whether diverse or not—sign up through the cooperative's vendor portal. Diverse vendors are invited to meet appropriate internal team members to share information about their products and services. By facilitating introductions between suppliers and SMECO's internal departments, we streamline the supplier selection process. This proactive approach ensures that diverse suppliers are in consideration early in project planning, enhancing efficiency and supporting our diversity goals.

Reaching the full metric has proven challenging despite strong efforts from the team, because SMECO's largest material expenditures are for cable and transformers, and fully diverse manufacturers of these required items do not exist yet. This is where the second spending tier has proven beneficial and helps promote other businesses' use of diverse suppliers.

SMECO wants diverse suppliers to be successful. Additionally, we strive to make the best decision for our members by selecting a quality vendor at the best price. SMECO supports diverse suppliers without paying a price premium. We instead support them with opportunities, mentoring, and valuable feedback in an effort to help all businesses to grow in their success.

The energy industry experienced greater inflation than the economy at large in recent years. Aging infrastructure, increased lead times, and an astronomical rise in the prices of necessary equipment, as well as an ever-growing demand for electric power, means that every penny counts, especially in today's economic landscape. That is why we remain dedicated to managing costs without compromising on reliability and service. We are constantly working to ensure efficiency, streamline our operations, and make smart investments that save our members money in the end. Your cooperative team also invests time and resources into seeking funding opportunities to reduce the burden of infrastructure costs.



Crew member working on
Milestown Substation.



• SMECO HOSTS SUPPLIER DIVERSITY HEARING IN 2023

June 2023, SMECO hosted the Public Service Commission's Annual Supplier Diversity Hearing, which was held at the cooperative's Engineering & Operations Center in Hughesville. The event marked the 30th anniversary of the initiative to promote contracting opportunities for diverse suppliers that serve the state's utilities.

Since 1993, the PSC has encouraged Maryland utilities to recruit vendors owned by women,

minorities, veterans, service-disabled veterans, and LGBTQ people as well as non-profit organizations. Utilities participate voluntarily in the initiative, which sets a goal of 25 percent of eligible purchases from diverse suppliers. SMECO joined the program in 2009.

As a group, the utilities exceeded the 25 percent goal for diversity for the first time in 2018 and the number has continued to rise.



**25 percent of
eligible purchases
from diverse suppliers**

GRIP grant

One respite for SMECO's rising costs outside of our control is a recent opportunity from the federal government. Congress passed the Bipartisan Infrastructure Law that President Biden signed into law on November 6, 2021. This deal invested billions of dollars into the nation's energy, water, telecommunications, and transportation systems. Many also consider it the most significant investment to combat climate change in American history. The legislation allocated funds to various departments, including the Department of Energy (DOE) that implemented the Grid Resilience Innovation Partnership (GRIP) program.

GRIP is a grant program for electric utilities and their partners to fund capital infrastructure, such as transmission and distribution lines, renewable energy systems, and battery energy storage systems, to improve grid reliability and resilience. GRIP is organized into three topic areas—grid resilience utility and industry grants, smart grid grants, and the grid innovation program. The program is competitive. Not only must project proposals demonstrate technical value, but they must also deliver community benefits in the form of environmental justice, job creation, and quality of life improvements for disadvantaged communities.

Given the opportunity and the potential benefit the grant funding could bring to Southern Maryland, SMECO submitted a "letter of interest" for the SMECO Transmission, Distribution, and Communications Resiliency Initiative, a \$49-million portfolio of improvements to our local grid. The DOE's Grid Deployment Office sent SMECO an encouragement letter, based upon the letter of interest, to submit a full application. SMECO followed through with the full application in April, and on October 17, 2023, the DOE notified SMECO that it was one of the 16 applicants selected for award of a Topic Area 1 grant.

SMECO was the only utility chosen in any GRIP topic area to win funds for Maryland. The funding will support vital investments while reducing the upward pressure on SMECO's rates that usually accompanies large-scale capital spending. It helps to preserve affordability for everyone.

The project investments represent a comprehensive, holistic approach to grid planning, investment, and operation, and the selection for the competitive award demonstrates SMECO's capabilities. Work includes:

741 CONCEPT PAPERS
were submitted to the
Department of Energy
(DOE) for consideration
to apply for GRIP funding

SMECO submitted a "concept paper" in funding for SMECO's Transmission, Distribution, and Communications Resiliency Initiative.

**Jan.
2023**

\$32.5M

requested in funding
for improvements to
SMECO's electric grid

The DOE Grid Deployment Office sent SMECO an encouragement letter to submit a full application.

**Feb.
2023**

Total awards: **58**
throughout 44 states

Applications submitted:
306

SMECO submitted
its full application.

**April
2023**

SMECO notified that it
was selected for a Topic
Area 1 grant award.

16 utilities

were awarded grant
money for Topic Area 1
of the GRIP program,
including SMECO.

**Oct.
2023**

- Replacement and hardening of the 69-kV Chalk Point-to-Hughesville line
- Strategic undergrounding and feeder tie lines at 30 targeted, high-value locations on the distribution system
- Installation of optical ground wire fiber optic telecommunications

SMECO's 69-kV lines are one of the oldest sections remaining in SMECO's system with some poles set as long ago as the 1960s. The H-frame structures crossing forests and wetlands in Charles and southern Prince George's Counties have aged beyond their useful life, so new steel poles will go in their place. Fewer poles will be required to cross the same terrain due to their height and strength. They are also better able to withstand high winds making this line more resilient and reliable.

Much of the existing rights-of-way and easements are through a protected wetland. Siting originally occurred long before modern environmental regulations that would have prohibited such construction. This creates a constraint for SMECO today because communities rely on this line for power, and moving it to a new location would be immensely challenging for myriad reasons including stifling cost premiums. Instead, SMECO must work in the existing right-of-way with industry best practices for construction while minimizing the impact to the ecosystem.

Distribution jobs are much smaller scale and spread across all SMECO counties. Many of these projects bury overhead lines to protect them from high winds, vegetation, animals, car crashes, and other hazards. Underground distribution lines are vastly more reliable than the aerial equivalent. They are also more expensive to install, which means the federal funding provides even more benefit to our region and the bill-paying members.

The telecommunications component will add connectivity to additional substations into SMECO's operational technology communications network. This allows operators to monitor and control equipment in the field.

The package of investments awarded for funding represents the most needed upgrades for our grid, and making these investments will give us greater reliability for our members.

SMECO's local focus and cooperative business model set our application apart from the more than 400 competitors in the program. To demonstrate the community benefits that would also result from the federal funds, SMECO touted numerous priorities detailed in this report, such as high-quality local jobs, environmental stewardship, local governance, diversity, and alignment with the Justice40 initiative. Justice40 is the Biden Administration's goal to flow 40 percent of the funds of all federal programs, not only the GRIP grants, to disadvantaged communities. SMECO's funded work will benefit the 5,230 people living in qualified census tract 24017850901 in Charles County.



SMECO exercises environmental safeguards while working to restore power during outages and in upgrading infrastructure to ensure continued reliability.

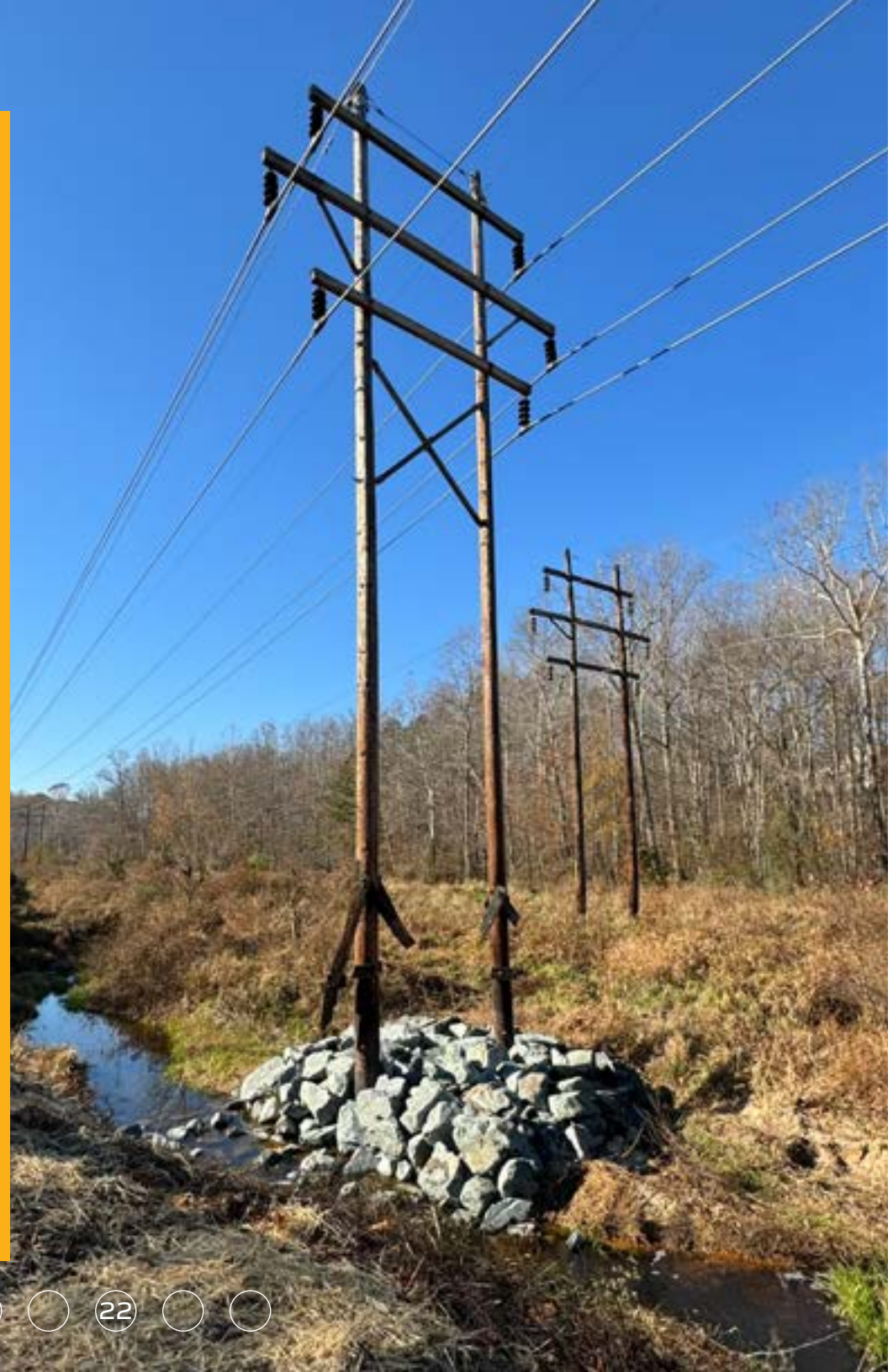
Firming up the foundations

SMECO has a 69-kilovolt transmission line that connects the Hughesville substation to GenOn's generation station at Chalk Point. The transmission line is a critical component for continued reliability for Southern Maryland. One of the original transmission poles on this line has degraded to a point that its condition created a high risk for reliability. In 2023, efforts were made to provide a firmer base to protect the current poles against further erosion along the stream in the right of way.

SMECO originally used bog shoes to stabilize the pole. Erosion had exposed more than three feet of the pole at its base. If one of the poles were to fall, it could bring down the line, threaten the stability of other poles nearby, and interrupt the flow of power.

As a temporary measure, the cooperative's Apparatus and Environmental Affairs teams worked with a contractor to lay large stones at the spot. The work braces the pole's foundation and limits the stream's erosion. SMECO made plans for the work in 2022, but Maryland environmental regulations required that the cooperative schedule the work around 2023's sensitive fish spawning season.

The pole's new foundation will serve until SMECO rebuilds the line from Hughesville to Chalk Point in the near future using funding provided from the GRIP grant.



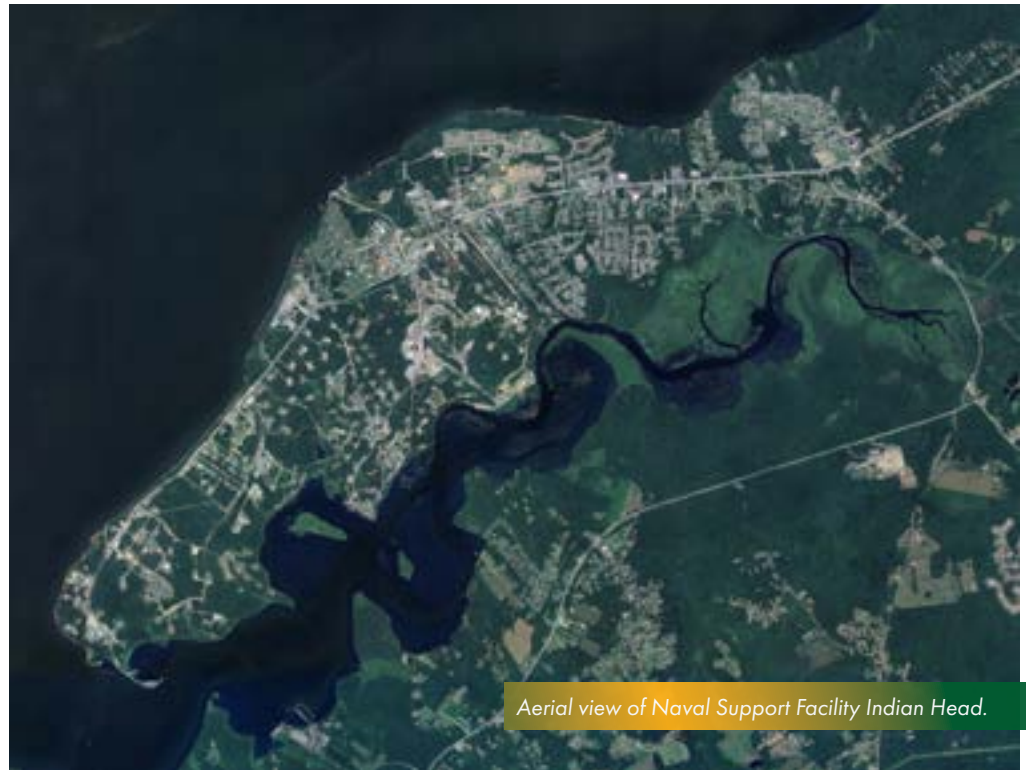
Indian Head Privatization

Years of hard work culminated in a signed agreement between SMECO and the Department of Defense to privatize the electric system at Naval Support Facility (NSF) Indian Head to include main base Indian Head and the Stump Neck Annex. Privatization means that SMECO will own, operate, and maintain NSF Indian Head's electric infrastructure for 50 years beginning October 2024.

Privatization efforts will include improvements to the existing infrastructure, including installation of 775 meters, substation and distribution improvements, and extensive tree trimming and related vegetation management.

NSF Indian Head marks the fourth privatization opportunity for the cooperative. In 2009, SMECO signed an agreement to privatize the Patuxent River Naval Air Station in Lexington Park, the Webster Field Annex in St. Inigoes, and the Navy Recreation Center in Solomons. Local military facilities are a vital part of Southern Maryland's local economy and some of the largest local employers, as well. Supporting the electric reliability of our local military facilities provides multiple benefits to the local community.

Financial responsibility, seeking funding opportunities, and investing in the success of local and diverse businesses not only secures the future of the cooperative, it also empowers the communities we serve to flourish in an ever-evolving landscape.



“Receiving the final agreement was a lengthy process and we are honored to have been selected. Our local military facilities are a large part of our local economy and some of the largest local employers for Southern Maryland residents. They also serve as an asset to our national safety. Being awarded the contract to operate and maintain the main base in Indian Head and the Stump Neck Annex is another wonderful opportunity that will benefit both SMECO and the Navy.”

—Sonja M. Cox, SMECO president and CEO



6 EMPLOYEES

TOOK PARENTAL LEAVE



INVESTING IN PEOPLE

"Each member shall purchase from the Cooperative all electric distribution service purchased for use on the premises specified, and shall pay therefore at rates which shall from time to time be fixed by the Board of Directors."

—Bylaws



507
TOTAL EMPLOYEES

35%
FEMALE

65%
MALE

39%
OVER 50
YEARS OLD

12%
UNDER 30
YEARS OLD

7%
PREVIOUSLY SERVED
IN THE MILITARY

28%
FROM MINORITY
COMMUNITY



5 of the 7 senior executives employed at SMECO in 2023 are from the local community

55% of the employee base is covered by the collective bargaining agreement



65
NEW HIRES

37 FEMALE

28 MALE

▲ 6 OVER 50 YEARS OLD



▼ 26 UNDER 30 YEARS OLD



While each person follows a unique career path before joining the cooperative, it does not take long for the spirit of cooperation and collaboration to flourish once they start. SMECO employees share a mindset of service that permeates their day-to-day work and extends to their lives outside of the office. Many are deeply involved in their communities. You will often find members of the SMECO team volunteering, donating time and money, and doing what they can to improve and support Southern Maryland. When our members see the SMECO logo, they should know help is nearby.

Our employees care about what they do. They aren't simply performing work in exchange for a paycheck, they are providing a critical service to their neighbors and

friends. The teamwork and desire to help is never more apparent than during a storm or emergency, and it is alive and in action every day at SMECO.

Whether the cooperative attracts the type of people who have a service mindset, or the experience of working here awakens a drive to serve, SMECO's employees are a unique group and they tend to stay with the cooperative for a long time.

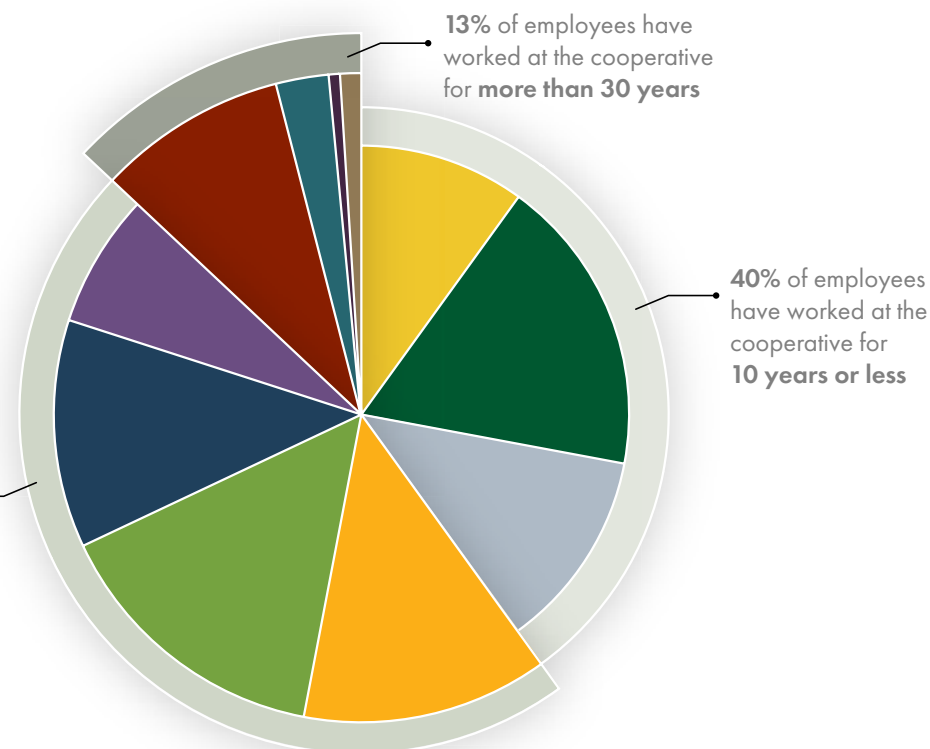
A larger-than-normal amount of the cooperative's long-term employees are eligible, or will be eligible, to retire within the next five years. With so many key employees at SMECO who have dedicated decades to the cooperative approaching retirement, a robust succession plan is

more critical than ever. These individuals carry with them a wealth of knowledge, experience, and institutional memory that has been instrumental in shaping the cooperative's success. A well-structured succession plan ensures that this legacy is not lost, providing a seamless transition of leadership and safeguarding the continuity of operations. It also empowers the next generation of leaders to step into their roles with confidence, equipped to maintain SMECO's commitment to excellence and community service.

One of the key components in preparing a seamless transition of leadership is a robust training program. SMECO's training department has implemented a progressive leadership training series that

EMPLOYEE TENURE

47% of employees have worked at the cooperative between 11 and 30 years



prepares the newest generation of leaders to succeed and provides opportunities for aspiring leaders to develop their skills and insights. The leadership training series is one of many options available to employees who want to build onto or learn new skill sets. Many employees also utilize the cooperative’s education benefits to earn their degrees. We provide tuition reimbursement covering up to 90 percent of tuition costs based on the course grade for undergraduate degrees. The Employee Development Director assesses training needs and offers various training topics for employees to take on company time and with 100 percent coverage.

Investing in our employees ensures that SMECO maintains a well-trained and qualified workforce. That effort goes beyond training. Collaboration across departments is integral in ensuring that the cooperative operates efficiently and economically for our members. In 2022, SMECO launched a pilot session of its updated mentorship program. The updated program addressed challenges from previous mentoring sessions, updating the experience to include in-depth training and screening for mentors and clear guidelines to ensure the experience was more structured and successful. The pilot’s success ensured the mentorship program returned full-time in 2023, expanding the cooperative’s onboarding for new employees creates an atmosphere of inclusion and accessibility. Providing employees with a broader understanding of what the different departments within SMECO do every day connects and engages the workforce, building relationships that open the door for a stronger and cohesive team.

Maintaining a skilled and well-trained workforce is also a critical component in providing reliable service and ensuring safety for our employees and our members. When electric utilities mention safety, most minds go directly to the field crews. Lineworkers have one of the most dangerous jobs in the United States and following appropriate safety protocols are imperative in ensuring the crews return home safe at the end of the shift. However, safety at SMECO is everyone’s responsibility—not just team members working in the field. As part of an expansive safety-training program, SMECO’s entire workforce maintains active certification in CPR and first aid. Whether it is within the workplace, at community events, or in public spaces, equipping more than 500 individuals with the skills to respond confidently to medical emergencies promotes increased public safety. It not only saves lives in emergencies, but also promotes a culture of preparedness and empowerment within the community.

Employee training includes initiatives to improve and enhance career-related skills, ensure safe work practices, and promote diversity and inclusion.

A strong workforce is a diverse one. It takes a variety of viewpoints, backgrounds, and experiences to elevate good ideas and efforts into great ones. A majority of SMECO’s workforce live in the cooperative’s service territory, and the workforce should reflect the community.

SAFETY ONE METRIC

Safety is a top priority for the cooperative and its team. SMECO uses a composite metric called Safety One to measure and track its safety performance.

- Targets six key safety components
- Each component is weighted and has a targeted performance goal of 1.0
- The sum of the component scores is the Safety One metric
- The target score of the overall metric is also 1.0

The smaller the score, the better the performance. A numerical score below 1.0 exceeds the target, and a number above 1.0 falls short.

Weight	Safety Component	Metrics
25%	Days Away, Restricted, or Transferred duty (DART) rate	(# of qualifying injuries) * (200,000=100 employees * 40 hours per week * 50 weeks per year) / (# of hours worked by all SMECO employees this year)
15%	Total number of incidents reported within 24 hours	(# of incidents) / (# of incidents reported within 24 hours)
10%	Safety meeting attendance	(# of employees who miss >two safety meetings) / (total # of employees)
25%	Preventable motor vehicle incident rate	(# of preventable accidents) * 1,000,000 / (# of miles driven)
15%	Number of effective observations performed	(# of supervisors who complete 25 safety checks) / (# of supervisors)
10%	Technical trainings attendance	(# of classes with >80% attendance) / (total # of classes)

WOMAN TO WATCH

SMECO's Energy & Technology team manages a variety of responsibilities, including energy efficiency programs, distributed generation, electric vehicles, and key accounts. The team's Program Manager, Demand-Side Management Jennifer Raley was profiled in the 2023 edition of Women to Watch, Southern Maryland News' annual profile of leaders among the region's women.

Raley began her career at SMECO in 2001 as a clerk typist and worked her way up, performing a variety of integral roles in the cooperative. She has worked as a billing clerk, accounting clerk, department secretary, and energy analyst prior to 2016, when she advanced into her current position. As the Energy & Technology Programs Manager, Raley oversees the cooperative's energy and technical programs and demand-side management programs. She engages with internal and external stakeholders and works closely with other Maryland utilities that offer energy efficiency programs through EmPOWER Maryland to coordinate, collaborate, and share lessons learned.

She is responsible for creating, implementing, and managing the programs, while also ensuring SMECO meets its savings goals and reporting requirements and stays within budget. The EmPOWER Maryland program provides a variety of programs aimed to help any interested and eligible cooperative members save energy and save money. Raley works to ensure that the cooperative is offering program options to its members that can help them no matter what their goal.



EQUITY IN EMPLOYMENT OPPORTUNITIES

SMECO completes an annual Affirmative Action Plan that shows the good faith efforts in the cooperative's hiring and recruitment. Each January, the Diversity & Inclusion Director, with the input from the recruitment coordinators, reports on the previous years' demographics, which include the full employee roster, new hires, terminations, promotions, transfers, and applicants, categorized by gender, race, location, veteran status, disability status, supervisor, and location. Demographics are categorized into executives, officials/manager, professionals, technical, office and clerical, craft workers, operatives, laborers, and service workers.

SMECO reports the completed annual Affirmative Action Plan for review and analysis to an objective, third-party law firm specializing in labor and employment law. Through this evaluation, the cooperative can easily recognize positive and negative trends that surface in any department and identify areas of focus for SMECO's recruiting and outreach efforts for the upcoming year. This helps the cooperative determine which career fairs and job boards would be most likely to yield the types of employee candidates we are seeking.

The demographic information for 2023 revealed opportunities in our recruiting efforts, and the cooperative established four recruitment goals for 2024. The goals include increasing the numbers of women and minorities in the professionals category, and to increase the number of minority employees in the technicians, lineworkers, and operatives categories.

Potential employment candidates are chosen based on their fit for the position. The cooperative strives to increase accessibility and awareness of open positions to underrepresented categories, but we may not be successful in reaching our goals based on the qualified candidates interested in the position.

The Affirmative Action Plan requires compiling a lot of information, but we look forward to the insight of measuring the previous years' successes and the help it provides as we continue reaching a diverse and talented workforce.

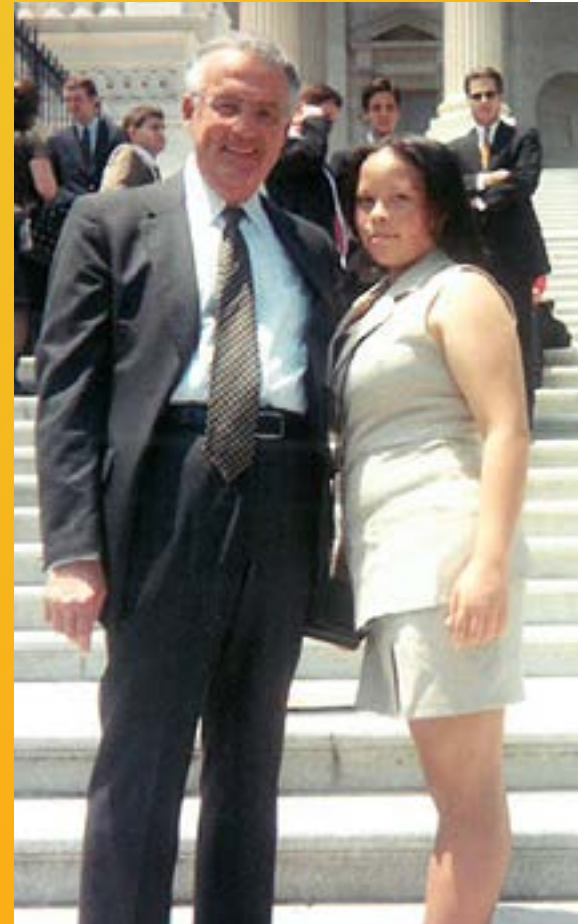
YOUTH TOUR LAUNCHES CAREER

In 1974, for the first time, SMECO sponsored local students to travel to Washington, D.C., to participate in the National Rural Electric Cooperative Association's Youth Tour. Close to 200 Southern Maryland high schoolers have since joined other talented students from cooperatives around the country since then.

The Youth Tour gives students from rural areas that are interested in the function of the federal government the opportunity to experience Washington, D.C., meet representatives and senators, such as U.S. Senator Paul Sarbanes (at right), and understand how cooperatives serve their communities across the nation. In 1999, high school junior Rhosheeda Proctor, who now works as SMECO's Diversity and Inclusion Director, was chosen to attend Youth Tour. According to Proctor, this opportunity affected all aspects of her life, including her career path.

Five years after the experience, Proctor began her career with SMECO in the Contact Center. She attended College of Southern MD, earning her associate degree in Criminal Justice and then her Bachelor's in Human Resource Management, all while using SMECO's tuition reimbursement benefit.

In her 19 years with SMECO, Proctor has grown and advanced in her career. She spent six years in the Contact Center before moving to the Human Resources department where she worked as a generalist for 10 years. Proctor was promoted to her current position as the Diversity and Inclusion Director in 2021 and oversees the company's recruitment efforts.



Creating opportunities

Most job postings list experience as a requirement, but it is difficult to get that needed experience without a job relevant to the one sought. Internships, apprenticeships, and on-the-job training provide a critical opportunity for young people or those transitioning careers, and SMECO invests time in providing these resources.

Each summer, the cooperative hires college students to work as summer interns in a variety of fields. From accounting to marketing to engineering, interns work on projects that support the cooperative's objectives and receive invaluable experience for their chosen career path.

In June 2023, SMECO chose two high school students as the first to participate in a new internship opportunity at the cooperative. As part of an arrangement with the James A. Forrest Career and Technology Center in Leonardtown and the Apprenticeship Maryland Program (AMP), the interns completed a full year of on-the-job training with SMECO. These two interns walked out of high school with their diplomas and into their full-time jobs as distribution groundmen trainees with the cooperative. The program allows students to start interning one year before they graduate, at which point they are able to take a full-time role with SMECO. Having that early experience could allow the program interns to achieve a journeyman rank by the age of 22.

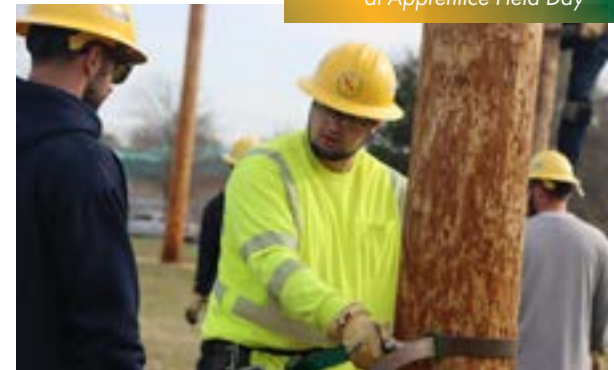
SMECO hopes to increase the number of groundmen interns hired in the coming years. Not only does this prepare our local students with career-building opportunities, it also provides your cooperative with additional skilled employees hired directly from Southern Maryland.

By investing in these initiatives, SMECO not only helps young people make informed career choices, but also fosters a future workforce that is skilled, motivated, and aligned with industry needs.

Having a skill or trade that makes one employable is essential for personal economic stability and it plays a vital role in supporting the local community. Developing a local talent pool reduces the need to outsource jobs, keeping money within the community and fostering economic growth. Additionally, when individuals are equipped with employable skills, they are better positioned to support local businesses, mentor younger generations, and contribute to the overall resilience and prosperity of their community.



Trying out the line worker life at Apprentice Field Day



Employees representing the cooperative at a job fair.

GETTING A HEAD START

During their senior year, Josh Morris and Stephen Stiegman spent their mornings serving on Southern Region crews and learning the basics of a lineworker's job. The interns worked full days during the summer and switched to mornings once the school year started. Each intern rotated between working with an underground crew and an over-head crew.

Morris and Stiegman handled the same duties as other SMECO groundmen, such as helping assemble and place poles, terminate wires, and operate excavators. Their training included pole climbing and other skills taught in the early phases of the apprentice program. The students were also able to work the booms on the bucket trucks, and were sent up in the bucket to work on dead and grounded wires. The new groundmen were given a little more guidance than a new hire and they were shown every process from start to finish, but their work responsibilities weren't any different from a regular employee.



Health and wellness

An engaged and empowered workforce is a healthy one. It is difficult to bring your best to your daily job when you are struggling with health issues. For more than a decade, the cooperative has been promoting health and wellness for its employees beyond the standard medical and dental benefits offered at most companies. SMECO has a comprehensive wellness incentive program where employees are encouraged and rewarded for making healthy choices, including receiving routine screenings, exercising, and making choices that support good mental and physical health.

The cooperative has an on-site gym and a wellness center at both its Hughesville and Leonardtown locations. The first Wired for Wellness (WFW) Family Health Center opened in



Employee Health Fair

WFW HEALTH CENTER SUCCESS STORIES

Patient: Cooperative employee



A cooperative employee patient received a new diagnosis of diabetes when blood work during their annual physical revealed an A1C of 13.5. The Wired for Wellness Family Health Center physician's assistant provided medication, education, support, and encouragement for the patient. Their follow-up showed the hard work and diagnosis paid off when blood work showed a decrease in A1C to 7.6.

Signature: Wired for Wellness Family Health Center

Patient: Cooperative employee



Complaining of overwhelming exhaustion and fatigue that had worsened over two months, a SMECO patient was diagnosed with malabsorption causing nutritional deficiencies and malnutrition. The patient was prescribed several supplements, which resolved the overwhelming exhaustion.

Signature: Wired for Wellness Family Health Center

Patient: Cooperative employee



Blood work during an annual physical showed an abnormal prostate-specific antigen level for one SMECO employee. Following referral to a urologist, the patient was diagnosed with prostate cancer.

Signature: Wired for Wellness Family Health Center

Hughesville in 2015. The second location opened in 2021 in Leonardtown. The health centers are available to all full-time, benefits-eligible employees and their spouses and dependents (age 2+) covered by SMECO health insurance. They provide health screenings, sick visits, lab services, and coaching for chronic conditions.

The investment into the health and wellbeing of cooperative employees offers benefits beyond physical fitness. Having the on-site clinics has reduced time off for doctor's appointments, caught life-threatening issues before they were an emergency, and provided the incentive of more consistent care that has led to the diagnoses of issues some employees had been struggling with for years.

SMECO employee benefits are self-insured. By providing medical care at the on-site clinics, the cooperative reduces overall insurance costs. A visit to the health center is part of the controlled, monthly fixed cost of maintaining the facility and is not billed under the variable costs of insurance claims. The on-site healthcare option also saves money on worker's compensation injury visits and in completing pre-employment requirements.

As one of the largest employers in Southern Maryland, the cooperative's investment in its employees has a substantial impact on the community.



Employee Health Fair

Patient: Cooperative employee



A cooperative employee visited the on-site clinic for management of chronic Lyme disease and described additional symptoms they felt were related. Following testing, the clinic's PA determined the patient was positive for alpha-gal IgE antibodies (Alpha-Gal). The patient was able to avoid specific food triggers and noticed relief from their symptoms within two weeks.

Signature: Wired for Wellness Family Health Center

Patient: Cooperative employee



An employee with a history of Fibromyalgia was experiencing fatigue, pelvic pain, and a low-grade fever. Blood tests revealed elevated inflammatory markers. The employee was referred to a rheumatologist who diagnosed them with Polymyalgia Rheumatica and started them on low-dose steroids, which eased their symptoms.

Signature: Wired for Wellness Family Health Center

Patient: Cooperative employee



During an annual physical, the clinic staff determined one SMECO employee required follow-up testing after they received abnormal tests results for their thyroid. Follow-up revealed the employee had malignant cells in their thyroid gland and they were referred for a thyroidectomy.

Signature: Wired for Wellness Family Health Center

INVESTING IN THE COMMUNITY

For **\$1 per member per year**, the cooperative is able to invest in many of Southern Maryland's local non-profits.

SMECO's contributions committee meets monthly to review requests and award sponsorship money to eligible organizations. The diverse committee is comprised of seven employees who represent different parts of the service territory and departments within SMECO. The committee votes to ensure the investment is distributed equitably throughout the service territory.

In 2023, the cooperative donated \$177,990 to 240 local organizations.

- Children/Youth: \$18,153
- Civic/Community Development: \$29,350
- Arts & Culture: \$2,800
- Education: \$21,032
- Environment: \$6,050
- Health & Welfare: \$100,605



In addition to corporate sponsorships, the cooperative also supports improving our community through support of education.

- Each year, the cooperative awards four \$2,500 scholarships to high school seniors living in the service area. In 31 years, SMECO has provided scholarships to 124 students.
- We host the annual MATHCOUNTS competition and Elementary Mathematics Challenge.
- SMECO recognizes the work of local educators each year by honoring outstanding teachers in the areas of mathematics, science, and STEM. In 32 years, we have recognized 480 local math and science teachers.

SMECO's employees also give of their time and money to support the community.

- Cooperative employees raised \$58,000 for Cornerstone Southern Maryland through the 2023 Annual Charity Golf Outing.
- Employees donated 1,650 pounds of food to the Southern Maryland Food Bank.
- CoBank donated \$10,000 in matching funds for charitable organizations supported by SMECO.

The member experience

Many of the cooperative's employees are also members. As members of the cooperative, they care about the community where they live and they know first-hand that each customer has individual needs and preferences for how they choose to interact with SMECO. Providing versatile payment and communication solutions are integral in providing our members with the superior customer service they want and deserve.

SMECO provides a number of self-service options for members, including the Account Manager portal. The portal provides 24/7 access to a wealth of information and many quick self-service tools. Members can:

- Get account balance
- Make a payment
- Make a payment arrangement
- Enroll in budget billing
- Enroll in and update your AutoPay
- Enroll in E-billing
- Report an outage and check outage status
- Sign up for start/stop service
- Monitor energy usage and their bill
- Manage e-mail and text Notification Preferences

The cooperative also provides the option to use texting or our 24/7 app to access account information, report outages, and pay bills. The cooperative team continues to explore opportunities to transform the member experience as technologies evolve.

SMECO'S CAPITAL CREDITS REFUNDS

One distinct aspect of being part of our cooperative is the allocation of capital credits. Based on various financial factors, SMECO's Board may approve the distribution of a percentage of the cooperative's operating margin—or Capital Credits—to its members. SMECO has issued Capital Credits for seven years over the past decade.

HOW DO CAPITAL CREDITS WORK?

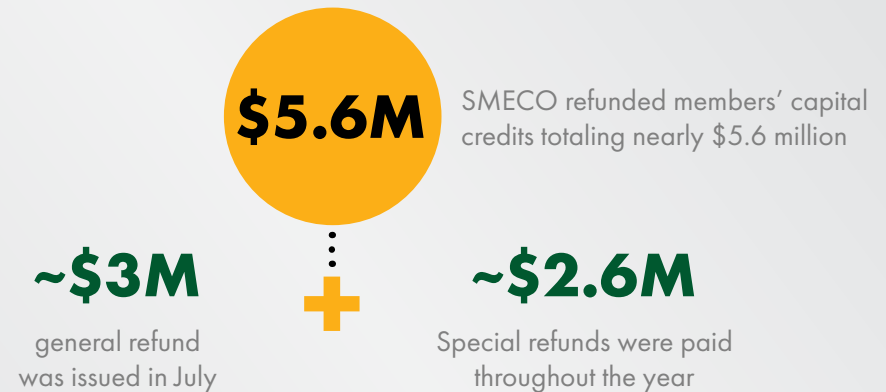
At the end of each fiscal year, any margins not used for expenses are allocated to a special account for each member based on how much electricity the member used and the rate at which the account was billed. Allocated margins are used as capital to fund new construction, system improvements, and maintenance. The cooperative's Board of Directors periodically assesses its financial situation and determines when members' capital credits will be refunded. When there is sufficient operating margin, the Board can authorize the "retirement" of capital credits and refund the extra margin to members, which appears as a credit on their bill.

SMECO's members help finance operations. One of the biggest benefits of being a member is receiving a refund through the capital credit program. Passing margins on to members is central to SMECO's commitment to provide value to our members and the communities in our service area.

2023 CAPITAL CREDIT QUICK FACTS

JULY

Credited refunds to members' bills beginning July 10.
Mailed checks to eligible former members on July 17.



SMECO regularly tracked loans and liquidity to ensure we were prepared to handle any additional financial risk during this time.





Purchased and delivered
585,220 MWh
of clean energy—17.59% of SMECO's power portfolio

ENVIRONMENTAL

"The business and affairs of the Cooperative shall be managed by a Board of fifteen (15) directors which shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Conversion or these bylaws, conferred upon or reserved to the members."

—Bylaws

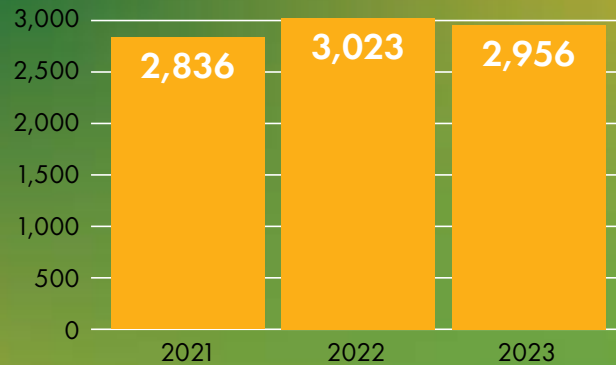


GREENHOUSE GAS EMISSIONS

Measured in Metric Tons of CO₂e (MTCO₂e)

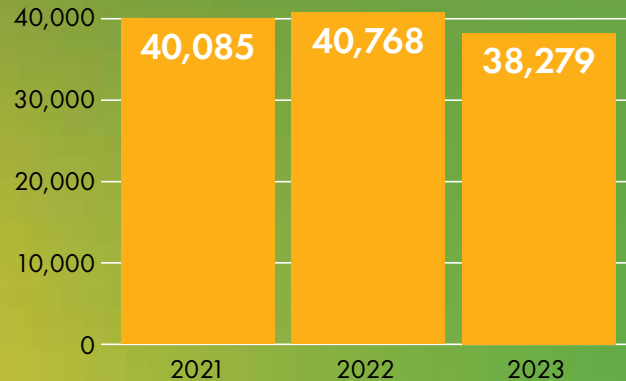
SCOPE 1

Fleet and facilities



SCOPE 2

Majority comes from the transmission and distribution of energy through our grid



Saved **73,859 MWh**
through energy efficiency programs



8,661 members
received a total of
\$197,737 for
upgrading to energy-
efficient appliances

Energy saved could charge
114 million smartphones



>100
Osprey nesting boxes installed



An electric utility affects the ecological environment through construction and operation of its system. We take great care to observe our interactions with the environment and limit that impact while ensuring reliability. Central to this ESG report is an accounting of the Scope 1 and 2 greenhouse gas (GHG) emissions from SMECO's operations. Further, this report will document material recycling efforts, energy efficiency, wildlife safeguards, and habitat and ecosystem protections. SMECO strives to harmonize its operations with the natural systems in every viable way.

GHG emissions are reported as Scope 1, 2, or 3, based upon the origin and accountability of the source. SMECO's Scope 1 emissions refer to those resulting directly from SMECO's operations. Scope 2 emissions are those resulting from SMECO's power supply. Scope 3, which SMECO opted not to report due to data accuracy and availability concerns, would refer to emissions resulting from SMECO's upstream suppliers and the downstream users of SMECO's services.

Many different pollutants are considered GHGs, including methane, ozone, and water vapor, for example. Carbon dioxide is the most common. Each contributes to climate change differently. To more effectively communicate the findings and to make the results comparable across organizations, emissions are standardized as if they were CO₂. The units in this ESG report are metric tons of carbon dioxide equivalent (MTCO₂e).

Previous SMECO ESG reports documented the GHG footprint in arrears. The 2021 report covered the 2020 footprint and the 2022 report covered the 2021 footprint. The section below includes both 2022 and 2023 emissions, which brings the accounting current. This change reflects the maturity of SMECO's ESG program and the availability of the underlying data.

For Scope 1, SMECO is a low emitter. SMECO's facilities are fully electrified. The Scope 1 emissions are from backup generators and vehicle fuels. The total number was 2,956 MTCO₂e in 2023. The 2022 Scope 1 emissions are 3,023 MTCO₂e.

PROGRAMS EMPOWER MEMBERS TO SAVE

The EmPOWER Maryland programs offer members opportunities to save energy and save money. Since 2009, participants have saved more than 6.2 million megawatt-hours.

- In 2023, 8,661 members received a total of \$197,737 for upgrading to energy-efficient appliances. **Energy saved could charge 114 million smartphones.**
- EmPOWER Maryland-supported HVAC upgrades made in 2023 saved 1.5 million kWh. **That's like eliminating the emissions from driving a gas-powered vehicle 2.7 million miles.**
- Last year, Southern Marylanders redeemed over 20,000 energy efficiency kits through SMECO's EmPOWER Maryland programs. **With their new energy-saving items, SMECO members can save enough energy to charge over 480 million smartphones.**
- SMECO members are saving nearly 12 million kWh by getting a Home Energy Report. **That's the average annual electricity use from 1,057 homes.**

Between 2021–2023

23K+

energy efficiency
kits shipped

12,200+

ENERGY STAR®
new homes built

131.4+

appliances and
HVAC systems bought

6.5M+

energy-efficient
light bulbs bought

22,700+

appliances recycled

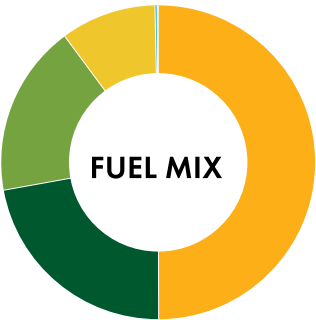
>\$32M

in rebates for members

Scope 2 is a much greater source for SMECO because of the nature of our business as an electric utility. As much of the energy SMECO delivers is still derived from fossil fuels, this number will remain stubbornly high. SMECO's renewable portfolio standard requirements do not offset this number according to ESG reporting conventions, therefore SMECO's Scope 2 figures are entirely reflective of the wind and solar power purchase agreements in place and the PJM fuel mix. SMECO's Scope 2 emissions for 2023 is 38,279 MTCO₂e. The 2022 Scope 2 emissions are 40,768 MTCO₂e.

The power supply mix consists of the following resources. Of the 3.3 million MWh sold last year, natural gas comprised the largest share followed by nuclear, wind, and coal.

The following table reports SMECO's power supply fuel mix.



Natural gas	49.95%	1,662,060
Nuclear	22.21%	739,104
Wind	14.44%	480,484
Coal	9.82%	326,668
Solar	1.57%	52,087
Hydro	1.26%	41,859
Solar & wood waste	0.32%	10,790
Oil	0.22%	7,234
Other energy	0.11%	3,496
Methane gas	0.10%	3,362
Total	100%	3,327,144



Mehoopany Wind Farm located in Pennsylvania.

AWARDS AND RECOGNITIONS

SMECO takes pride in its accomplishments and appreciates others' recognition of the cooperative's commitment to sustainability, its mission, and its community.

NAMED ENERGY STAR® PARTNER OF THE YEAR 2023—SUSTAINED EXCELLENCE



The Sustained Excellence Award is presented to organizations that the United States Environmental Protection Agency (EPA) ENERGY STAR program recognizes for their year-over-year commitment to meeting the challenge of climate change and supporting a transition to a clean energy economy. The EPA has named SMECO an ENERGY STAR Partner of the Year every year from 2012 through 2023, including Sustained Excellence honors every year from 2015 through 2023.

NAMED ENERGY STAR® CERTIFIED HOMES MARKET LEADER 2023



The Certified Homes Market Leader award is presented to outstanding partners who have made important contributions to energy efficient construction and environmental protection by building or verifying an outstanding number of ENERGY STAR certified homes and apartments, or by sponsoring a local program that supported these activities during the previous year.

CHOSEN AS A PLATINUM HERMES AWARD WINNER

The Hermes Creative Awards recognize creativity and ingenuity in marketing and communication publications. In 2023, SMECO was honored to be chosen as a Platinum Award winner for the SMECO Schools Everyday Energy video.

AWARDED A SILVER TELLY FOR GENERAL—EDUCATION & TRAINING

The Telly Awards recognize excellence in video and television, including branded content, documentary, social media, immersive and more. SMECO was recognized as a silver winner in the category of non-broadcast education and training in 2023 for the SMECO Schools Everyday Energy video.

CHOSEN AS A PLMA PACESETTER IN 2023

The Peak Load Management Alliance is a non-profit organization that supports utilities, grid operators, service providers, end-users, and individuals advancing innovations in managing load on the grid by conservation, efficiency, and flexibility. In 2023, SMECO received the PLMA Award for a Pacesetter Program for its innovative approach to flexible load management through the FlexTemp Pilot.

CLIMATE NOW ACT

Serving Maryland brings the duty to abide by the laws and regulations of our state that has emerged as a leader in clean energy and combating climate change. Several of these measures put the state's electric utilities, SMECO included, in the spotlight. The Climate Solutions Now Act of 2022 set a goal to reduce GHG emissions in Maryland 60 percent by 2031 from the baseline year of 2006, and to reach "net zero" carbon emissions by 2045. Reaching these goals will impact every part of Maryland's economy and will require a collaborative and determined effort throughout the state. While the specifics of how these goals are to be reached have not been fully determined for SMECO and other utilities, ratepayers should expect an impact on their electric bill well into the future. The cooperative balances its efforts to support climate goals while also advocating on our members' behalf as this law is implemented.

Saving energy saves money, and it also helps achieve the emissions goals mapped out in the Climate Solutions Now Act. Beginning in 2024, EmPOWER Maryland will shift from tracking the reduction in kilowatt-hours to tracking GHG reductions. EmPOWER Maryland, a collection of programs promoting energy efficiency and demand management for electric and gas utilities, was established with the passing of the EmPOWER Maryland Energy Efficiency Act of 2008 and set initial energy conservation goals for the state. Customers subsidize the programs through a public purpose charge on every utility bill in Maryland. The money goes to incentive programs and

workforce development that reduces the amount of energy we need to power our lives and broader economy. The EmPOWER Maryland program runs in three-year cycles and provides a number of opportunities for cooperative members to save energy and money using various rebates and incentives. The fifth program cycle ended in 2023 and the continued impact of EmPOWER Maryland is evident in the energy savings being realized each cycle. The next cycle began January 1, 2024.

BY 2025

Develop plan to close the net zero gap

BY 2030

Implement plan and source 50 percent of SMECO energy portfolio from renewable sources

BY 2045

Achieve net-zero greenhouse gas emissions by 2045

APPENDIX

GRI/SASB, data index, forward-looking statements

The 2023 SMECO ESG Report includes content for reporting purposes and is subject to changes and amendments as more accurate and reliable information becomes available. Statements made in this report include forward looking statements which hold a certain amount of uncertainty and SMECO does not accept any liability in respect to the use of this report, its information or data.

ESG DISCLOSURE INDEX

Our ESG Disclosure Index is generally aligned but not in accordance with all metrics and material issues provided by the Sustainability Accounting Standards Board (SASB) and Global Reporting Initiative (GRI). SMECO acknowledges that our internal ESG efforts need to mature before we can attest that our reporting is completely consistent with these global reporting standards. SMECO aspires to this goal as our ESG efforts mature over time. In the meantime, we identified and disclosed on our material issues based on these frameworks and standards. SMECO's goal is to provide a comprehensive and accurate report, and we are committed to improving processes for data collection and material issue measurement and tracking over time. We plan to continue to take steps to improve the completeness and accuracy of our reporting year over year.

Global Reporting Initiative (GRI) Index

Code	Brief Requirement	Response/Reference
2-1	Name of Organization, Location, Ownership and Legal Form, Country of Operation	Southern Maryland Electric Cooperative, Inc., organized as a 501(c)-(12) tax exempt entity. Headquarters: 15035 Burnt Store Rd., Hughesville, MD 20637. Operates only in the State of Maryland in the United States.
2-2	Entities included in reporting	Southern Maryland Electric Cooperative, Inc.
2-3	Reporting period, frequency and contact point	SMECO publishes its ESG report on an annual basis. This 2023 report covers the calendar year 2023 and was first published on November 8, 2022.
2-4	Restatements of information	No restatements of financial reporting
2-5	External assurance	N/A
2-6	Activities, value chain, and other business relationships	Southern Maryland Electric Cooperative, Inc. (SMECO) is one of the 15 largest electric cooperatives in the United States with more than 175,000 member accounts in Charles, St. Mary's, Prince George's, Calvert, and Anne Arundel counties. Major inputs include fuel for SMECO's fleet, and equipment to maintain the distribution system. The PJM Interconnection supplies SMECO's wholesale electricity that it delivers to its members.
2-7	Employees	Total Number of Employees: 507 Full-time Employees: 499 (Male: 326, Female: 173; HDQ: 426, STM: 73) Part-time Employees: 8 (Male: 4, Female: 4; HDQ: 6, STM: 2)
2-8	Workers who are not employees	N/A
2-9	Governance structure and composition	See Leadership
2-10	Nomination and selection of the highest governance body	See Leadership
2-11	Chair of the highest governance body	The chair is not an employee of the organization.
2-12	Role of the highest governance body in overseeing the management of impacts	See Leadership
2-13	Delegation of responsibility for managing impacts	See Leadership

Code	Brief Requirement	Response/Reference
2-14	Role of the highest governance body in sustainability reporting	In its mission to provide safe, reliable, affordable, and sustainable electric service to its members, it is SMECO's policy to endeavor to protect human health and the environment. In recognition of this commitment the Cooperative shall: A. Maintain one position with the overall responsibility and accountability for the Cooperative's environmental compliance. B. Provide ongoing educational opportunities for the person in this position so that he keeps abreast of current environmental laws, regulations, and requirements. C. Maintain a record-keeping system that complies with documentation requirements of state and federal environmental regulations. D. Maintain procedures designed to minimize risks of and liabilities arising accidents affecting the environment.
2-15	Conflicts of interest	A. Members of the Board of Directors, the Board Attorney, and employees performing Cooperative duties are required to act in good faith for the benefit of the Cooperative. B. Members of the Board of Directors, the Board Attorney, and employees shall ensure that there is no conflict of interest between their personal interests and their duties, obligations and responsibilities to the Cooperative. C. The Chairman of the Board must disclose, of his own volition, actual, potential or apparent conflicts of interest to the Vice Chairman of the Board. • All other members of the Board of Directors and the Board Attorney must disclose, of their own volition, actual, potential or apparent conflicts of interest to the Chairman of the Board. • The President/CEO must disclose, of his own volition, actual, potential or apparent conflicts of interest to the Chairman of the Board. • The Senior Vice Presidents must disclose, of their own volition, actual, potential or apparent conflicts of interest to the President/CEO. • All other employees must disclose, of their own volition, actual, potential or apparent conflicts of interest to the Senior Vice President of their department. D. Failure of a member of the Board of Directors, the Board Attorney, or an employee to disclose an actual, potential or apparent conflict of interest constitutes a breach of this policy and may result in disciplinary action. E. Employees of the Cooperative shall not be directed to perform services other than those normally performed in conducting Cooperative business.
2-16	Communication of critical concerns	It shall be the policy of the Southern Maryland Electric Cooperative, Inc. to develop and carry out a continuing and comprehensive member education and public relations program that will: A. Provide sufficient information and communication to enable Cooperative members and the public to fully understand the principles and philosophy of electric cooperatives and the policies and procedures of SMECO. B. Encourage members to exercise their rights and responsibilities to actively participate in the affairs of the Cooperative. C. Inform and update the members and public about the Cooperative's plans, programs, and achievements, including financial status and operating issues; to obtain and further their understanding, acceptance, and support. D. Provide information on services available by the Cooperative and other organizations that relate to the improved quality of life for SMECO's members.

Code	Brief Requirement	Response/Reference
		E. Render advice, assistance, and counsel to members in making full and effective use of electric energy. F. Use available means to inform the public of the values of the Cooperative in contributing to the local economy and a better life for its members. G. Provide for Cooperative assistance and participation in community and civic activities within limitations of Board policies. H. Provide a continuing training program for all employees on the essentials of giving prompt, courteous, and efficient service to everyone we serve; endeavoring to settle complaints amicably; and keeping members informed on the Cooperative's philosophy, objectives, policies, and activities. I. Allow and encourage employees to carry out these activities as a regular part of the Cooperative's operations.
2-17	Collective knowledge of the highest governance body	See Leadership
2-18	Evaluation of the performance of the highest governance body	See Leadership
2-19	Remuneration policies	No Board position is salaried. Board members are compensated on a per-meeting basis. SMECO has laid out Board compensation policies in our internal Board Policy 1-6.
2-20	Process to determine remuneration	Approved conferences and meetings are predetermined in Board Policy No. 1-6.
2-22	Statement on sustainable development strategy	Southern Maryland Electric Cooperative (SMECO) is committed to doing our part in Maryland's overall effort to improve the quality of life for our community members in Southern Maryland while caring for the environment.
2-26	Mechanisms for seeking advice and raising concerns	SMECO has a list of Board Policies that describe internal procedures. Policy 1-10 Conflict of Interest, Policy 1-15 Whistleblower Policy, Policy 3-16 Code of Ethics for SMECO Power Supply, and Policy 5-3 Internal control. All Board policies are located on Employee Intranet.
2-27	Compliance with laws and regulations	SMECO has had no significant instances of non-compliance with laws and regulations during the reporting period, nor did the company have any instances of non-compliance with laws or regulations in the current or prior year that resulted in fines.
2-28	Membership associations	ACES Power Marketing (acespower.com) • Wholesale energy trading on behalf of SMECO • Webinars, research reports, professional events Association of Energy Services Professionals • Webinars, research reports, professional events Association of Large Distribution Cooperatives (ALDC) • Organization with representatives from large cooperatives • Annual meeting Calvert County Chamber of Commerce (calvertchamber.org) • Local business organization for networking, marketing, events, and information sharing Calvert Marine Museum (calvertmarinemuseum.com) • Local community nonprofit organization Charles County Chamber of Commerce (charlescountychamber.org) • Local business organization for networking, marketing, events, and information sharing

Code	Brief Requirement	Response/Reference
		CoBank (cobank.com) • A financial services cooperative established to support agriculture, infrastructure and other similar businesses for the benefit of rural America. • Research reports, professional events Cooperative Response Center (crc.coop) • A cooperative offers services as a 24/7 contact center, alarm monitoring center, and software provider. Electric Research & Manufacturing Cooperative (ERMCO) (ermco-eci.com) • A cooperative transformer manufacturer Federated Rural Electric Insurance Corporations Exchange (federatedrural.com) • A cooperative insurance provider Friends of the Jefferson Patterson Park and Museum (friendsofjppm.com) • Local community nonprofit organization Historic St. Mary's City Foundation (hsmcdigshistory.org/get-involved/foundation) • Local community nonprofit organization Hughesville Business and Civic Alliance • Local business organization for networking, marketing, events, and information sharing International Accounts Payable Professionals International Energy Credit Association (ieca.digitellinc.com/ieca) • A nonprofit association to help professionals working on credit risk in the energy industry • Webinars, working groups, professional events, networking La Plata Business Association • Local business organization for networking, marketing, events, and information sharing Maryland Chamber of Commerce (mdchamber.org) • Advocacy organization for businesses in Maryland • Events and news MD-DC Utilities Association (md-dc-util.com) • A nonprofit association of utilities (all types) serving the greater Washington, D.C. region • Professional events Maryland Government Relations Association (mgra.org) • A nonprofit association for Maryland government affairs professionals • Professional events, networking Maryland Washington Minority Companies Association (mwmca.org/home) • Advocacy organization supporting trade contractors, suppliers, and service providers serving the Greater Washington, D.C. region. National Cooperative Services Corporation (ncsc.coop) • A cooperative that provides specialized financing services to electric cooperatives National Renewables Cooperative Organization (nrco.coop) • A nonprofit that supports cooperatives in procuring renewable energy resources

Code	Brief Requirement	Response/Reference
		National Rural Telecommunications Cooperative (nrtc.coop) • A nonprofit that supports cooperatives with telecommunications technologies • Articles, funding opportunities, webinars, professional events National Rural Electric Cooperative Association (cooperative.com) • A nonprofit that supports electric cooperatives with educational content and advocacy on government policy. • Professional conferences, webinars, courses, certifications, networking National Rural Utilities Cooperative Finance Corporation (nrucfc.coop) • A nonprofit finance organization that supports electric and telecom cooperatives • Lending, investment opportunities, professional events, training National Safety Council (nsc.org) • A nonprofit safety advocate • Training, documentation, webinars, podcasts National Veteran Owned Business Association (navoba.org) • A nonprofit supporting veteran-owned businesses in support of supplier diversity • Networking Pioneer Utility Resources—Our Partners Prince George’s County Chamber of Commerce (pgcoc.org) • Local business organization for networking, marketing, events, and information sharing PJM Interconnection (pjm.com) • The regional transmission operator (RTO) serving SMECO and part or all of several nearby states (VA, MD, DC, NJ, NC, WV, PA, DE, OH, IL, KY, MI, TN, IN) • Coordinates high-voltage transmission and wholesale transaction of electric power • Training, committees, documentation St. Mary’s County Chamber of Commerce (smcchamber.com) • Local business organization for networking, marketing, events, and information sharing St. Mary’s Historical Society (stmaryshistory.org) • Local community nonprofit organization Smart Electric Power Alliance (sepapower.org) • A nonprofit supporting electric utilities to integrate renewable and distributed energy resources • Webinars, professional conferences, networking, white papers, newsletter, working groups Sotterley (sotterley.org) • Local community nonprofit organization Southern Maryland Minority Chamber of Commerce (smmcoc.org) • A nonprofit comprised of community-based organizations in Calvert, Charles, and St. Mary’s counties to jointly address the Minority Community’s issues and concerns • Policy advocacy, training, networking Southern Maryland Navy Alliance (navyalliance.org) • A nonprofit organization that promotes the relationship between Navy installations and the local community

Code	Brief Requirement	Response/Reference
		Tarheel Electric Membership Association, Inc. (tema.coop) • A cooperative supplier for materials and equipment necessary for the electric grid United Utility Supply (uus.coop) • A cooperative supplier for materials and equipment necessary for the electric grid Women's Business Enterprise Council (wbecnymv.org) • A nonprofit organization that supports the success of women-owned businesses • Training, professional networking Virginia, Maryland Delaware Association of Electric Cooperatives (vmdaec.com) • Professional conferences, webinars, courses, networking • Mutual aid network for restoration
2-30	Collective bargaining agreements	Fifty-five percent of the employee base is covered by the collective bargaining agreement.
201-1	Direct economic value generated and distributed	N/A
201-2	Financial implications and other risks and opportunities due to climate change	Here at SMECO, we have a longstanding tradition of operating sustainably and championing progress in the communities we serve. We are guided by our mission—to put members first by delivering safe, reliable, affordable, and sustainable electricity and related services that exceed expectations.
201-3	Defined benefit plan obligations and other retirement plans	SMECO froze its pension plan in 2010 and is currently looking to terminate. At the end of October 2022, the pension was >100% funded on an accounting basis, and 95.9% funded on a termination basis. At the time, the most likely scenario for termination was a \$6.3 million shortfall (based on interest rates). There is large pension liability of ~\$56 million on the balance sheet that would hit the income statement as a non-cash expense at the time of settlement. SMECO is looking at the potential to amortize this expense over the course of the remaining average life of the plan participants. SMECO maintains 401(k) plans for its management and bargaining unit employees. All full-time employees are eligible to participate in the plans after meeting minimum service requirements. SMECO matches employee contributions to the management plan up to 6% of annual compensation, and for the bargaining plan, effective January 2024, matches \$0.50 on the dollar up to 4% of annual straight time earnings. Effective with the freeze of the Pension Plan, SMECO provides a non-elective employer contribution which varies based on length of service. For employees with 0 to less than 5 years of service, the contribution is 3% of base pay; 5 to less than 20 years of service, 8% of base pay; and 20 or more years of service, 10% of base pay.
201-4	Financial assistance received from the government	In 2022, SMECO received \$780,109.67 from FEMA for reimbursement of Tropical Storm Isaias expenses incurred in 2020, as well as a \$17,228 Category Z reimbursement associated with the application.
202-1	Ratios of standard entry-level wage by gender compared to local minimum wage	Maryland minimum wage is \$13.25/hr and the minimum pay SMECO offers is \$16.96 for Labor Trainees. 73 female hourly employees with an average hourly wage of \$30.68 198 male hourly employees with an average hourly wage of \$41.05
202-2	Proportion of senior management hired from the local community	Out of the seven senior executives employed at SMECO in 2023, five are from the local community. SMECO defines this as the boundary of its service territory.

Code	Brief Requirement	Response/Reference
203-1	Infrastructure investments and services supported	SMECO is the regulated electric distribution company serving the Southern Maryland community. The entire community relies on SMECO to support their businesses and lives with safe, reliable, and affordable electricity. The cooperative continually assesses the current and growing needs of the community as a whole. As the community grows, SMECO rises to meet that growth with the development and implementation of its Construction Work Plan, which budgets and prioritizes electric infrastructure investments to meet Southern Maryland's growing needs. SMECO's provision of electric service is regulated by the Maryland Public Service Commission. The Commission authorizes the electric services the cooperative provides and approves the rates by which SMECO provides those services. The cost of the infrastructure investments SMECO makes are recoverable through those rates.
201-4	Financial assistance received from the government	SMECO received no federal funds in 2023. In October 2023, SMECO received notification of selection for award for GRIP Grant funding; however, no funds relating to this grant were received in 2023.
202-1	Ratios of standard entry-level wage by gender compared to local minimum wage	Maryland minimum wage is \$13.25 and the minimum pay SMECO offers is \$16.96 for Labor Trainees. Eighty-three female hourly employees with average pay of \$32.30. Two hundred male hourly employees with an average pay of 43.94.
202-2	Proportion of senior management hired from the local community	Out of the eight Senior Executives employed at SMECO in 2023, six are from the local community. SMECO defines this as the boundary of its service territory.
203-1	Infrastructure investments and services supported	SMECO is the regulated electric distribution company serving the Southern Maryland community. The entire community relies on SMECO to support their businesses and lives with safe, reliable, and affordable electricity. The cooperative continually assesses the current and growing needs of the community as a whole. As the community grows, SMECO rises to meet that growth with the development and implementation of its Construction Work Plan, which budgets and prioritizes electric infrastructure investments to meet Southern Maryland's growing needs. SMECO's provision of electric service is regulated by the Maryland Public Service Commission. The Commission authorizes the electric services the cooperative provides and approves the rates by which SMECO's provides those services. The cost of the infrastructure investments SMECO makes are recoverable through those rates.
203-2	Significant indirect economic impacts	N/A
205-1	Operations assessed for risks related to corruption	SMECO has a Code of Business Ethics and Conduct to protect against corruption. SMECO management is unaware of any reported unethical or unlawful behavior against SMECO employees or the cooperative as a business entity. SMECO encourages employees who believe unethical or unlawful behavior is taking place to communicate that concern to his/her supervisor, department head, the Senior Vice President of Human Resources, or the President/CEO. SMECO also employs a web-based, secure tool that allows both vendors and employees to anonymously report concerns about unethical or unlawful behavior. Advice about ethical and lawful would be sought from legal counsel, expert in the field.
205-3	Confirmed incidents of corruption and actions taken	N/A
206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices	There are no legal actions pending and there have been no legal actions completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which SMECO was identified as a participant.
207-1	Approach to tax	SMECO is tax exempt from federal income taxes on income from operating activities under Section 501(c)(12) of the Internal Revenue Code and exempt from state income taxes. As such, SMECO does not have a formal tax strategy. SMECO is subject to the following taxes: Property tax (state/local), payroll taxes (federal/state/local), public service franchise taxes, and various county energy taxes. Federal Form 990 tax filings are prepared by our auditors. Other taxes are paid when owed.
207-2	Tax governance, control, and risk management	
207-3	Stakeholder engagement and management of concerns related to tax	

Code	Brief Requirement	Response/Reference
207-4	Country-by-country reporting	SMECO does no reporting on a country-by-country basis.
302-1	Energy consumption within the organization	Total facility usage (kWh) 6,621,804
302-4	Reduction of energy consumption	Total annual office use = 8,279,091 kWh SMECO sold an annual total of 3,268,794,057 kWh to members/customers. Annual office use decreased by 3% (based on 8,595,846 to 8,279,091 from last year's ESG report and value provided).
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	No Change
304-2	Significant impacts of activities, products and services on biodiversity	Pax River Transmission Line Rebuild Wetland Impacts: Wetland and buffer impacts were minimized to less than 5,000 square feet so Army Corps of Engineers review is not required. It should fall under MDSPGP-6, as a Category A project requiring no mitigation or public notice. Authorization from Maryland Department of the Environment is pending final review.
304-3	Habitats protected or restored	None
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	There were no IUCN red list species identified as affected by SMECO's operations.
306-1	Waste generation and significant waste-related impacts	Poles, Pallets, Wire Reels and other wood products: Bridgewell Sustainable Solutions recycled 514,800 LBS (234 Metric Tons) of SMECO poles, pallets, wire reels and other wood products in 2023. Material is hauled to Pennsylvania where it is incinerated and turned into electricity. Scrap conductor wire and all other metal products: Super Salvage recycled 458,140 LBS (208.245 Metric Tons) of SMECO conductor wire and other metals in 2023. Metals are collected, separated, melted down, and repurposed. Non-PCB Oil Filled Equipment Recycling: SMECO recycled 136,112 lbs (61.870 Metric Tons) of non-pcb oil filled equipment in 2022. Drums of dirt and oil disposal from oil spills: 62 drums containing non-PCB dirt and oil were disposed of in 2023. This equated to approximately 24,800 LBS (11.273 Metric Tons) of oil-contaminated debris disposed of in approved landfills. 14 drums of PCB contaminated dirt and oil were disposed of in 2023. This equated to approximately 5,600 lbs (2.545 Metric Tons) of PCB contaminated debris disposed of in TSCA approved landfills. General garbage refuse: Southern Maryland Recycling disposed of 1,308,443.50 LBS (593.50 Metric Tons) of domestic waste.
306-2	Management of significant waste related impacts	N/A
306-3	Waste generated	• Poles, Pallets, Wire Reels and other wood products: 234 MT • Scrap conductor wire and all other metal products: 208.245 MT • Non-PCB Oil Filled Equipment Recycling: 61.870 MT • Drums of dirt and oil disposal from oil spills: 13.818 MT • General garbage refuse: 593.50 MT

Code	Brief Requirement	Response/Reference
306-4	Waste diverted from disposal	• Poles, Pallets, Wire Reels and other wood products: 234 MT • Scrap conductor wire and all other metal products: 208.245 MT • Non-PCB Oil Filled Equipment Recycling: 61.870 MT • Drums of dirt and oil disposal from oil spills: 13.818 MT • General garbage refuse: 593.50 MT
306-5	Waste directed to disposal	Drums of dirt and oil disposal from oil spills: 62 drums containing non-PCB dirt and oil were disposed of in 2023. This equated to approximately 24,800 LBS (11.273 Metric Tons) of oil-contaminated debris disposed of in approved landfills. 14 drums of PCB contaminated dirt and oil were disposed of in 2023. This equated to approximately 5,600 lbs (2.545 Metric Tons) of PCB contaminated debris disposed of in TSCA approved landfills. General garbage refuse: 593.50 MT
401-1	New employee hires and employee turnover	Hires in 2023: 65 • <30 years old: 26 – Females: 9 – Males: 17 • 30–50 years old: 33 – Females: 24 – Males: 9 • >50 years old: 6 – Females: 4 – Males: 2 • By Region: – Leonardtown Southern Region Facility: 5 – Hughesville Headquarters: 57 Turnovers in 2023: 47 (9 percent turnover) • By Region – Leonardtown Southern Region Facility: 4 – Hughesville Headquarters: 43 Terminations in 2023 • <30 years old: 21 – Females: 6 – Males: 6 • 30–50 years old: 15 – Females: 10 – Males: 5 • >50 years old – Females: 3 – Males: 1

Code	Brief Requirement	Response/Reference
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Benefits provided to full-time employees that are not provided to temporary or part-time employees: • Medical including prescription coverage • Dental • Vision • EAP • HSA or FSA options including dependent care spending account • Group Life and Disability products to include Life, Dependent Life, ADD, Business Travel, and LTD • Ancillary individual products (Cancer, Life, STD, Hospitalization, Critical Illness and Accident plans are available) • 401k with Roth option and employer match • 401k Employer non-elective contribution • Onsite health center • Onsite fitness centers • Wellness Program
401-3	Parental leave	Total of employees entitled to parental leave: 500 Total number of employees who took parental leave by gender • Male: 5 • Female: 1 Total number of employees who reported to work following parental leave by gender • Male: 5 • Female: 1
402-1	Minimum notice periods regarding operational changes	N/A
403-1	Occupational health and safety management system	In 2011, SMECO implemented our Health and Safety System. Covering all employees (including contractors), SMECO's "Plan-Do-Check-Act" approach is grounded in Occupational Safety and Health Administration standards. SMECO's safety program is compliant with all Federal, State and county laws covering electrical inspection, traffic control, tree trimming, public right-of-way, etc. It is impractical to include all laws, rules and ordinances affecting our business operations. A few of the primary legal requirements that inform our safe work practices include National Electrical Safety Code, Occupational Safety and Health Act, and Maryland Occupational Safety and Health Act.
403-2	Hazard identification, risk assessment and incident investigation	Proper and routine hazard identification and control is crucial to the success of the occupational health and safety management system at SMECO. A documented job hazard analysis exists for routine workplace activities and are reviewed at frequencies determined by their risk assessment. Higher risk activities are reviewed more frequently than lower risk activities. Non-routine reviews of the job hazard analysis also occurs when there is a change to the work process or equipment or if an incident investigation warrants a review. Each job hazard analysis lists the sequential steps of a work process; identifies probable hazards for each step; and also identifies proper controls for each identified hazard. Hazard control first attempts to eliminate the hazard when possible. If hazard elimination is not possible, SMECO then attempts an engineering solution to control the hazard. An administrative control is used when an engineering solution is not possible. Finally, Personal Protective Equipment (PPE) is selected when a hazard cannot be controlled through elimination, an engineering control or an administrative control. Job hazard analyses are reviewed by the SMECO employed safety professionals.

Code	Brief Requirement	Response/Reference
		On a three year schedule, SMECO gains feedback from all workers on the occupational health and safety management system through a safety perception survey. This survey most recently occurred in 2024. The three-year cadence will change to annual in 2025. Direct participation is also achieved through all workers during monthly safety meetings. The agenda for these meetings provides an opportunity to solicit feedback to proposed changes to the occupational health and safety management system. Additionally during these meetings, the following topics are also discussed: a review of current incident investigations; updates on new equipment; and, updates on new work procedures. All changes to the occupational health and safety management system are communicated to all workers through documented organization announcements and during in-person monthly safety meetings. The Collective Bargaining Agreement also stipulates provision of PPE; union representation in incident investigations; provision on training and education; and protection of all workers against reprisals.
403-3	Occupational health services	In an effort to take a preventative approach to occupational health, SMECO administers a comprehensive employee wellness program. This program rewards employees for taking steps to improve their health including routine diagnostic exams and exercise classes. SMECO provides an on-site family health center that is available to all employees and their families.
403-4	Worker participation, consultation and communication on occupational health and safety	Worker participation and involvement helps to create ownership from everyone in the occupational health and safety management system. SMECO continuously strives to make improvements to gain more worker participation. Under the Collective Bargaining Agreement, A safety committee (consisting of Management and Bargaining Unit representatives) meet annually to review and update SMECO's Safe Work Practices. An additional committee is comprised of a group of workers who represent each Division and all levels of the organization. This group meets quarterly and discusses current issues/concerns from their respective areas. They also focus on creating improvements in worker participation and involvement. Both committees represent all workers in the organization.
403-5	Worker training on occupational health and safety	All workers receive initial training on occupational health and safety specific to their job duties during New Hire Orientation. A comprehensive Training Matrix exists to identify initial and refresher occupational health and safety training needs specific to the work-related hazards for all job categories throughout the organization. The Training Matrix identifies the training needs identified through OSHA Standards 29 CFR 1910 and 29 CFR 1926. Training is delivered to all workers through computer-based training and through in-person monthly safety meetings. In-person training is presented by SMECO employed safety professionals. Training is provided in language easily understood by all workers. All training is provided to workers free of charge and during paid working hours. All occupational health and safety training is mandatory for all workers. The effectiveness of the training is evaluated through knowledge checks and course evaluations.
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Tracking the performance of our safety program quantitatively is key in driving safe work practices and achieving our target of zero at-risk behaviors. We utilize indicators such as Incidence Rate, DART rate, and our Safety One Metric to identify ways we can do better and plan for improvements to our safety program. The Safety One index scores our organization based on leading and lagging safety performance indicators that are identified through the Plan-Do-Check-Act cycle. In addition we utilize qualitative information gathered through our Root Cause Analysis (RCA) process to inform improvements to our safe work practices. We perform RCA on all incidents, near-misses, and hazardous conditions/behaviors identified through work observation.
403-8	Workers covered by an occupational health and safety management system	SMECO employs a Contractor Safety Verification Program. Selected Contractors are expected to meet or exceed the established safety guidelines and procedures set forth in this Program. Each Contractor is responsible for their own safety program and for the execution of onsite safety requirements. SMECO's health and safety program only covers SMECO employees.

Code	Brief Requirement	Response/Reference
403-9	Work-related injuries	For all employees: • The number and rate of fatalities as a result of work-related injury: 0 • The number and rate of high-consequence work-related injuries (excluding fatalities): 0 • The number and rate of recordable work-related injuries: 9 recordable injuries/1.56 recordable injury rate • The main types of work-related injury: Laceration and Slip, Trip, and Fall • The number of hours worked: 1,151,914 Rates have been calculated based on 200,000 hours worked. No SMECO workers have been excluded from this disclosure. SMECO does not track this information for non-employees.
404-1	Average hours of training per year per employee	Females: 941.5 Males: 688.5 These numbers reflect in-person hours. The amount of virtual hours is nearly impossible to record because employees complete these at their leisure, on their own time, and there is no database that tracks these hours.
404-2	Programs for upgrading employee skills and transition assistance programs	Current Supervisors Leadership Journey series (7 of the 11 modules) “Future” Supervisors Leadership Journey series (9 of 11 modules) Project Management Essentials Series Microsoft Excel (three levels) Microsoft Word (two levels) Microsoft Onenote Essentials Public Speaking Series Cooperative F&A for Non-Accountants Communicating to Influence: Gain Support that Gets Results Lunch & Learn: Showing Care and Concern for Each Other Team Cohesiveness Starts with Emotional Safety and Trust
404-3	Percentage of employees receiving regular performance and career development reviews	One hundred percent of SMECO employees receive regular performance reviews. New employees receive a 90-day, six-month, and an annual review and continue on an annual basis thereafter.
405-1	Diversity of governance bodies and employees	507 Employees • Females – Black: 9% – Hispanic: < 1% – American Indian/Alaska Native: 0% – 2 or more races: 2% – Asian: <1% – White: 24%

Code	Brief Requirement	Response/Reference
		• Males – Black: 13% – Hispanic: <1% – American Indian/Alaska Native: 1% – 2 or more races: 1% – Asian: <1% – White: 48% • <30 years old – Males: 47 (9%) – Females: 13 (2%) – Black: 15 (2%) – Hispanic: 1 (<1%) – American Indian/Alaska Native: 2 (<1%) – 2 or More Races: 4 (<1%) – Asian: 0 – White: 38 (7%) • 30–50 years old – Males: 156 (34%) – Females - 88 (17%) – Black: 57 (11%) – Hispanic: 2 (<1%) – American Indian/Alaska Native: 1 (<1%) – 2 or More Races: 9 (1%) – Asian: 5 (<1%) – White: 170 (33%) • >50 years old – Males: 126 (24%) – Females: 72 (14%) – Black: 34 (14%) – Hispanic: 1 (<1%) – American Indian/Alaska Native: 3 (<1%) – 2 or More Races: 3 (<1%) – Asian: 1 (<1%) – White: 156 (34%)
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	N/A

Code	Brief Requirement	Response/Reference
413-1	Operations with local community engagement, impact assessments and development programs	At SMECO, leading sustainably is about more than just environmental stewardship—we also strive to benefit the communities we serve. SMECO partners with stakeholders to grow the local economy and to advance social causes in Southern Maryland for the betterment of all. SMECO was founded to help Southern Maryland develop economically and this spirit remains in its employees today. Ingrained in SMECO's mission as a cooperative is the ethos that we show up for our community. SMECO is a corporate sponsor of many community events and causes. During the reporting period for example, SMECO provided college scholarships to graduating high school seniors from its service territory. The cooperative donated more than \$50,000 through its annual charity golf outing. SMECO partnered with local schools and the National Society of Professional Engineers to hold MATHCOUNTS competitions for middle school students. Along with students, SMECO recognizes the value of math, science, and STEM teachers as Outstanding Teachers from school systems in each of the counties it serves. SMECO recognizes these educators for their outstanding creativity, rapport with students, enthusiasm for teaching, professionalism, and innovative teaching methods. SMECO has entered into a long-standing MOU with the Maryland Public Service Commission, where the cooperative has set a goal of awarding 25 percent of its spend to diverse suppliers. SMECO works with state legislators and other utilities to design policies that provide a framework for sound environmental practices, progressive benchmarks, and cost-effective goals for renewable energy procurement. SMECO meets with Maryland PSC working groups to develop programs that make sense for its members, and the cooperative works with members individually to help them save energy and save money. The Cooperative also monitors power markets to secure blocks of reliable, competitively priced green power for its power portfolio.
413-2	Operations with significant actual and potential negative impacts on local communities	Operations have the potential for a negative impact to our community in many areas, and SMECO takes steps to ensure safety, environmental stewardship, and collaboration with local authorities at all times.
415-1	Political contributions	SMECO and Choptank Electric Cooperative employees contribute to the Action Committee for Rural Electrification (ACRE), a federal political action committee of the nation's electric cooperatives. The money contributed is split evenly for federal contributions and state contributions. The state contributions are made to elected officials from both political parties after recommendations are made to SMECO and Choptank CEOs by their respective lobbyists. Political contributions are available through the State Board of Elections.
416-1	Assessment of the health and safety impacts of product and service categories	SMECO is dedicated to constantly assessing the impact of our facilities, infrastructure and operations on the community. Public safety is paramount in our operations. A fundamental guiding principal of SMECO's safe work practices is to never create a hazard for the general public through the service that we render. Protection of the general public and public property is the duty of every employee. It is every employee's responsibility to recognize the types of risks affecting each operation and to take proper action to prevent the loss of life and property damage.
417-1	Requirements for product and service information and labeling	N/A
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	SMECO had zero substantiated complaints received concerning breaches of customer privacy during the reporting period.

Sustainability Accounting Standards Board (SASB) Index

We have aligned our reporting with SASB's Electric Utilities and Power Generators Disclosure Topics and Accounting Metrics.

SASB Code	Metric	Response
Greenhouse Gas Emissions & Energy Resource Planning		
IF-EU-110a.1	(1) Gross global Scope 1 emissions, percentage covered under (2) emissions-limiting regulations, and (3) emissions-reporting regulations	Since SMECO does not own generation, our direct emissions are not as significant as some other utilities, with our direct air emissions coming primarily from our fleet. In 2023, SMECO's fleet purchased over 144,614 gallons of gasoline and 153,986 gallons of diesel, with emissions from SMECO's transportation totaling 2,806 metric tons of carbon (MT CO ₂) emissions.
IF-EU-110a.2	Greenhouse gas (GHG) emissions associated with power deliveries	• Natural Gas—49.95 percent, 1,662,060 MWh • Nuclear—22.21 percent, 739,104 MWh • Wind—14.44 percent, 480,484 MWh • Coal—9.82 percent, 326,668 MWh • Solar—1.57 percent, 52,087 MWh • Hydro—1.26 percent, 41,859 MWh • Solid & Wood Waste—0.32 percent, 10,790 MWh • Oil—0.22 percent, 7,234 MWh • Other Energy—0.11 percent, 3,496 MWh • Methane Gas—0.10 percent, 3,362 MWh Total—3,327,144 MWh
IF-EU-110a.3	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	See Environmental
IF-EU-110a.4	(1) Number of customers served in markets subject to renewable portfolio standards (RPS) and (2) percentage fulfillment of RPS target by market	SMECO has 175,869 customer/members all located in Maryland and subject to statutory renewable portfolio standards (RPS). SMECO fulfilled 100% of its 2023 RPS target.
IF-EU-120a.1	Air emissions of the following pollutants: (1) NO _x (excluding N ₂ O), (2) SO _x , (3) particulate matter (PM ₁₀), (4) lead (Pb), and (5) mercury (Hg); percentage of each in or near areas of dense population	Reporting is required for "direct" sources. Since SMECO does not own emitting resources, we do not have the pollutant information.

SASB Code	Metric	Response
Water Management		
IF-EU-140a.1	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Total water withdrawn and consumed is not currently tracked. Water withdrawn and consumed is not located in a categorically High or Extremely High water stress region according to the WRI Water Risk Atlas tool. Facilities will begin tracking our yearly usages in our facilities for reporting in 2024.
IF-EU-140a.2	Number of incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations	In October 2023, the Maryland Department of the Environment (MDE) cited SMECO and two of its contractors for not complying with Maryland requirements for obtaining an approved erosion and sediment control plan and taking sediment erosion control and bank stabilization measures at a stream when replacing a utility pole. After meeting with MDE representatives, SMECO has taken corrective action at the site.
IF-EU-140a.3	Description of water management risks and discussion of strategies and practices to mitigate those risks	No change
IF-EU-150a.1	Amount of coal combustion residuals (CCR) generated, percentage recycled	0
IF-EU-150a.2	Total number of coal combustion residual (CCR) impoundments, broken down by hazard potential classification and structural integrity assessment	0
Energy Affordability		
IF-EU-240a.1	Average retail electric rate for (1) residential, (2) commercial, and (3) industrial customers	2023 Residential: \$0.13635/kWh 2023 Commercial: \$0.11102/kWh No Industrial 2023 Street Lights: \$0.42367/kWh
IF-EU-240a.2	Typical monthly electric bill for residential customers for (1) 500 kWh and (2) 1,000 kWh of electricity delivered per month	500 kWh: \$82 1,000 kWh: \$154.17
IF-EU-240a.3	Number of residential customer electric disconnections for nonpayment, percentage reconnected within 30 days	Number of residential disconnections = 3953; Number of residential reconnects = 3194; % of R/C = 81% - Effective April 1, 2023, the Maryland Public Service Commission termination of service mandates were lifted and SMECO resumed normal collection activity. - The above percentage reflects accounts reconnected within eight days, not 30 days as the standard requires. Our billing system is configured to close (final bill) all accounts that are disconnected for non-payment and not reconnected within eight days.

SASB Code	Metric	Response
IF-EU-240a.4	Discussion of impact of external factors on customer affordability of electricity, including the economic conditions of the service territory	External Factors that Impact on the Affordability of Electricity: - Factors that impact the Rate Charged for Electricity—the higher or lower the rate, the more or less the cost will be for electricity, making it more or less affordable all other things being equal. - Fuel costs for generation: cost of coal, natural gas, oil. These vary seasonally as demand goes up and down affecting supply. Trend in prices is slightly increasing. - Capital costs for utility distribution plant: costs of conductors, transformers, meters, insulators, etc. have increased as inventory and supply issues have occurred. - Personnel costs: utility employees. Costs are increasing as general pay rates go up and lower unemployment increases wages to hire employees. - Customers shifting usage from on-peak to off-peak periods to reduce generation costs. Increased use of demand response and TOU rates should help increase this. - Factors that impact the Quantity of Electricity Consumed—increases or decreases in the amount of electricity consumed are the largest factor in the change in the monthly electricity bill for consumers, affecting the affordability of the bill. - Weather extremes: hot and cold weather cause the greatest increases in usage. Potential that climate change may exacerbate extreme weather, but no current data on electric usage impact of weather for SMECO. - Adoption of energy efficiency measures: adding insulation, efficient appliances, lighting, smart thermostats, etc. Long-term investments that reduce the usage of electricity daily. This has been increasing over the past decade and is projected to continue to grow. - Factors that impact the income and wealth of consumers and businesses—the ratio of electric bill to total income gives an indication of the affordability of electricity. Higher or lower income and wealth levels, all else the same, change the affordability of electricity. - Population level of education achieved. Greater percentages of the population that have high school degrees and college degrees directly correlate to higher average income levels. - Local unemployment rate. The strength of the local economy can impact local affordability of electricity. - Regional number of jobs by job category. The stability and trend in jobs and relative amount of higher paying jobs will impact income levels. - Factors that impact the costs of other products and services. Increases or decreases in other cost of living items impact the ability to pay for electricity. - Rate of inflation on products and services. CPI trends indicate overall trends that impact. - Customer costs for all living expenses. As nationwide, Southern Maryland has seen high CPI levels over last year. Expectations for decreases in the CPI in the future.

SASB Code	Metric	Response
		Historic and projected information: 1. SMECO has tracked its rate for the energy portion of its rates compared to other regional utilities. Generally, over the past six to seven years, SMECO's rates have been lower than the other utilities. SMECO's rates had increased in 2022 above the rates of other Maryland utilities. SMECO's rates came back down in 2023, dropping from over 10 cents per kWh to around 8 cents per kWh, more than a 20% decrease. The rates again went below the rates of other Maryland utilities. 2. Looking at economic data, average per capita personal income has been around 88% to 89% of the state-wide average over the past ten to 20 years. Projections from the Maryland Department of Planning indicate that rising in future years to over 91 percent. That suggests improvement in affordability going forward. 3. Southern Maryland's labor force participation rate has historically been between 99% and 106% of the Maryland state average. Projections indicate the rate staying between 99% and 100%. That is a fairly stable projection at the lower end of the historic range, somewhat neutral on projecting changes in affordability.
Workforce Health and Safety		
IF-EU-320a.1	(1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR)	(1) Total recordable incident rate (TRIR): 1.56 (2) Fatality rate: 0 (3) Near miss frequency rate (NMFR): 1.04
End-Use Efficiency & Demand		
IF-EU-420a.2	Percentage of electric load served by smart grid technology	The percentage of electric utility revenues from (1) decoupled rate structures is 39.48%. We do not have rate structures that contain an LRAM. SMECO has AMI Smart Meter technology installed and serving essentially all customers in its service territory. 100% of electric load served by smart grid technology.
IF-EU-420a.3	Customer electricity savings from efficiency measures, by market	73,859 MWh
Grid Resiliency		
IF-EU-550a.1	Number of incidents of non-compliance with physical and/or cybersecurity standards or regulations	The number of incidents of non-compliance with physical and/or cybersecurity standards or regulations is one within the last year.
IF-EU-550a.2	(1) System Average Interruption Duration Index (SAIDI), (2) System Average Interruption Frequency Index (SAIFI), and (3) Customer Average Interruption Duration Index (CAIDI), inclusive of major event days	SAIDI in Minutes • Including Planned Outages & Major Events: 202.3 • Excluding Planned Outages & Major Events: 94.6 SAIFI Annual Interruptions per Year • Including Planned Outages & Major Events: 1.34 • Excluding Planned Outages & Major Events: 1.02 CAIDI in Minutes • Including Planned Outages & Major Events: 151.1 • Excluding Planned Outages & Major Events: 92.2

SASB Code	Metric	Response
Activity Metrics		
IF-EU-000.A	Number of: (1) residential, (2) commercial, and (3) industrial customers served	As of 12/31/2023: • Residential = 159,642 • Commercial = 15,704 • Transmission = 5 • Street Lighting = 518
IF-EU-000.B	Total electricity delivered to: (1) residential, (2) commercial, (3) industrial, (4) all other retail customers and (5) wholesale customers	As of 12/31/2023: • Residential = 2,070,361,916 kWh • Commercial = 1,166,411,990 kWh • Transmission = 24,620,818 kWh • Street Lighting = 7,399,313 kWh
IF-EU-000.C	Length of transmission and distribution lines	• Distribution Overhead = 3,139 miles • Distribution Underground = 6,987 miles • Transmission = 485.8 miles
IF-EU-000.E	Total wholesale electricity purchased	100 percent 3,327,144,300 kWh That is the total wholesale electricity purchases by SMECO for serving the load of SMECO's customers. It includes a small amount of purchases of solar generation from SMECO's subsidiary company SMECO Solar which owns a 5.5 MW solar farm.
IF-EU-000.D	Total electricity generated, percentage by major energy source, percentage in regulated markets	Zero percent electricity generated by SMECO. SMECO's subsidiary SMECO Solar generated 7,637,098 kWh of solar energy, all purchased by SMECO. One hundred percent of the generation was in Maryland which is regulated by the Maryland Public Service Commission and also within the PJM Interconnection market.

