

Southern Company

Sustainable Financing Framework



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Contents

1. Introduction
2. Approach to Sustainability
3. Rationale for Issuance
4. Alignment with the Green Bond Principles, 2018, Social Bond Principles, 2020, Sustainability Bond Guidelines, 2018 and Green Loan Principles, 2018
 - 4.1 Use of Proceeds
 - 4.2 Process for Project Evaluation and Selection
 - 4.3 Management of Proceeds
 - 4.4 Reporting
5. External Review
 - 5.1 Second Party Opinion
 - 5.2 Assurance

1. Introduction

The Southern Company (“Southern Company”)¹ is a leading energy company serving 9 million customers through its subsidiaries. We provide clean, safe, reliable and affordable energy through electric operating companies in three states, natural gas distribution companies in four states, a competitive generation company serving wholesale customers across America, a leading distributed energy infrastructure company, and a fiber optics network and telecommunications services business.

We are one of America’s premier energy companies, delivering clean, safe, reliable and affordable energy to our electric and natural gas customers through our state regulated utilities. Southern Company brands are known for excellent customer service, high reliability and affordable prices below the national average. For more than a century, we have been building the future of energy and developing a full portfolio of energy resources, including carbon-free nuclear, advanced carbon capture technologies, natural gas, renewables, energy efficiency and storage technology.

Southern Company was one of the first U.S. utilities to set bold, industry-leading goals to reduce greenhouse gas (“GHG”) emissions and has set a goal of net zero emissions by 2050. Southern Company and its subsidiaries drive economic growth and prosperity in the states we serve through our industry-leading commitment to innovation and customized energy solutions. Our uncompromising values ensure we put the needs of those we serve at the center of everything we do and govern our business to the benefit of our world.

Our three electric utilities — Alabama Power Company, Georgia Power Company, and Mississippi Power Company — serve more than 4 million retail customers. These subsidiaries provide retail electric service and are regulated by federal energy agencies and the public service commissions in the states they serve. The state commissions determine fair electric rates, oversee what project costs (such as those associated with environmental controls or plant construction) can be recovered and define the returns utilities can earn in retail markets.

Southern Power Company (“SPC”), a subsidiary of Southern Company, is a leading U.S. wholesale energy provider meeting the electricity needs of municipalities, electric cooperatives, investor-owned utilities, and commercial and industrial customers. SPC and its subsidiaries, some of which are in partnerships with outside parties, own 52 facilities operating or under construction in 13 states with more than 12,080 Megawatts of generating capacity, including ~4,700 Megawatts of renewable generation, battery storage and fuel cell capacity.

¹ Southern Company is a holding company that conducts its business through its subsidiaries. Accordingly, references herein to “Southern Company”, “we”, “our” or “us” related to operations, fleet, suppliers, customers, emissions and similar matters refer to those of the subsidiaries of Southern Company

Southern Company Gas is an energy services holding company whose primary business is the distribution of natural gas to more than 4 million retail customers through utilities in four states – Nicor Gas (Illinois), Atlanta Gas Light (Georgia), Virginia Natural Gas (Virginia), and Chattanooga Natural Gas (Tennessee). These gas utilities are regulated by the public service commissions in the states that they serve. The state commissions determine fair natural gas rates, primarily utilizing fixed-rate design, and allow for recovery of investments through a combination of regulatory mechanisms and infrastructure riders that minimize regulatory lag.

Southern Company's other subsidiaries include PowerSecure, Inc. ("PowerSecure"), Southern Nuclear Operating Company, Inc. ("Southern Nuclear") and Southern Communications Services Inc. ("Southern Linc"). PowerSecure provides energy technologies and services to electric utilities and their large industrial, commercial, institutional and municipal customers in the areas of distributed generation, energy storage and renewables, and energy efficiency. Southern Nuclear is an innovative leader among the nation's nuclear energy industry, and Southern Linc provides wireless communications service.

2. Approach to Sustainability

Southern Company is proud to support our customers and communities, committed to preserving and protecting our environment, and dedicated to the safety, health, and wellbeing of our employees, customers, and suppliers. In addition to reducing our GHG emissions and complying with applicable environmental regulations, we're reducing our impact on the environment through stewardship – protecting valuable natural resources, wildlife and habitats.

Southern Company is transitioning our energy generation fleet for a net-zero future. In doing so, we have established an intermediate goal of a 50% reduction in carbon emissions from 2007 levels by 2030 and a long-term goal of net-zero carbon operations by 2050.

Our strategy to achieve these goals includes the continued development and deployment of a diverse portfolio of energy resources to provide clean, safe, reliable and affordable energy to serve our customers and communities.

To do this, we are growing our investment in renewable energy, modernizing the grid to optimize technology advancements, reducing emissions through increasing use of natural gas, building new nuclear generating units, continuing our industry-leading, robust research and development efforts, and investing in energy efficiency for savings on both sides of the meter.

In addition to our environmental leadership, Southern Company is committed to social and governance leadership. We develop and sustain relationships with diverse suppliers, including women, veteran and minority-owned businesses, to broaden access to products and services and provide economic inclusion. We form partnerships and create business alliances to ensure the growth and vitality of the diverse communities we serve and in which we work and live. We actively partner with state governments to support economic development efforts in our service

territories. Over the last 10 years these efforts have resulted in \$53 billion of investment commitments and the creation of 193,000 jobs in our service territories.

Southern Company has been “a citizen wherever we serve” since the earliest beginnings of the company. Integrating into the fabric of the communities we are privileged to serve helps customer connections, which, along with our high reliability and rates well below the national average, contribute to higher customer satisfaction.

This, in turn, leads to more constructive regulatory relationships, which provide the regulatory stability needed to make long-term investments in our utility systems. We critically analyze our investments with our customers in mind. Over time, these investments not only help keep rates low and affordable but also keep our investments clean, safe and reliable. The interconnection of these factors is core to how we approach regulatory relationships, and we often refer to this as our utilities’ “circle of life.”

3. Rationale for Issuance

Southern Company has been an early supporter and thought leader in the Green Bond market. Through the creation of a Sustainable Financing Framework out of which we and our subsidiaries may issue Green Bonds, Social Bonds, Sustainability Bonds, loans or other financial instruments (collectively the “Sustainable Financing Instruments”) we aim to contribute to the transition to a sustainable economy. We hope our issuance will inspire other similar companies to do the same.

4. Alignment with the Green Bond Principles, 2018, Social Bond Principles, 2020, Sustainability Bond Guidelines, 2018 and Green Loan Principles, 2018

The Green Bond Principles, 2018 (“GBP”), Social Bond Principles, 2020 (“SBP”), Sustainability Bond Guidelines, 2018 (“SBG”), and Green Loan Principles, 2018 (“GLP”) are voluntary process guidelines for best practices when issuing or borrowing Sustainable Financing Instruments. The GBP, SBP, SBG, and GLP recommend transparency and promote integrity in the Sustainability Bond Market. The Southern Company Sustainable Financing Framework is aligned with the GBP, SBP, SBG, and GLP. This framework covers Sustainable Financing Instruments issuances for Southern Company and its subsidiaries and/or affiliates (any such issuer, an “Issuing Entity”).

4.1 Use of Proceeds

Each Issuing Entity intends to allocate an amount equal to the net proceeds from any Sustainable Financing Instrument to finance or refinance, in whole or in part, one or more Eligible Projects. “Eligible Projects” are investments and expenditures made by the Issuing Entity or any of its

subsidiaries and/or affiliates beginning with the issuance date of any Sustainable Financing Instrument or in the 24 months prior to any such issuance. Each Issuing Entity intends to allocate an amount equal to the net proceeds within 12 months of the issuance.

Eligibility Criteria are outlined below:

The offering document for each Sustainable Financing Instrument will specify which eligible categories below are eligible in the associated offering.

GBP/GLP Eligible Project Category	Eligibility Criteria and Example Projects	UN SDG Alignment ²
Renewable Energy	<p>Expenditures and investments related to the construction, development, expansion, production, acquisition, maintenance, transmission, research and development, and operation of renewable energy generation and infrastructure including:</p> <ul style="list-style-type: none"> • Solar power • Wind power <p>The purchase of renewable energy from wind and solar power facilities, pursuant to long-term (minimum tenor of 5 years) power purchase agreements entered into prior to the commencement, or in the case of rehabilitated projects, the re-commencement, of commercial operation of the applicable facility.</p> <p>Expenditures related to transmission and distribution networks projects that aim to connect renewable energy sources, support increased deployment of renewables on the grid, or reduce GHG emissions through installation of equipment that will improve system efficiency or energy use management.</p>	7, 13

² <https://sdgs.un.org/goals>

GBP/GLP Eligible Project Category	Eligibility Criteria and Example Projects	UN SDG Alignment ²
Climate Change Adaptation	<p>Investments in transmission and distribution infrastructure designed to make the system more resilient and improve customer reliability when considering climate change related impacts such as:</p> <ul style="list-style-type: none"> • Severe weather events, including more frequent and severe hurricanes, as well as other impacts and changing weather patterns <p>A vulnerability assessment and associated adaptation plan will be conducted for such investments, where applicable.</p>	13
Energy Efficiency	<p>Expenditures and programs related to construction, development, expansion, production, acquisition, research and development, and maintenance of energy technologies or assets. Examples include:</p> <ul style="list-style-type: none"> • Battery storage • Smart meters and related communication networks • Programs to aid customers with energy efficiency including energy efficiency rebates (electric only) and costs to provide customer energy audits 	7, 13
Clean Transportation	<p>Expenditures related to the procurement, maintenance, and operation of our electric vehicles ("EV") and associated infrastructure. Examples include:</p> <ul style="list-style-type: none"> • Procurement of EVs for company fleets • Installation of EV charging stations and infrastructure 	11

GBP/GLP Eligible Project Category	Eligibility Criteria and Example Projects	UN SDG Alignment ²
Green Buildings	<p>Expenditures related to the new construction/renovation, development, expansion, maintenance, or operation of offices or manufacturing facilities that have received or are expected to receive:</p> <ul style="list-style-type: none"> • LEED³: Gold or Platinum • BREEAM⁴: Very Good, Excellent or Outstanding • Energy Star (85+) • Other equivalent internationally and/or nationally recognized certifications 	11
Green Innovation	<p>Expenditures including research and development costs related to the deployment of energy efficient solutions, and other innovations through Southern Company's Energy Innovation Center.</p> <p>Costs related to development of "smart neighborhoods" where homes have rooftop solar, battery storage, or other technologies for maximum energy efficiency.</p>	11, 13

³ <https://www.usgbc.org/leed>

⁴ <https://www.breeam.com/>

SBP Eligible Project Category	Eligibility Criteria and Example Projects	SDG Alignment
<p>Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of small-medium enterprise financing and microfinance</p> <p>Target Population:</p> <ul style="list-style-type: none"> Minority-owned, female-owned, veteran-owned, LGBT-owned and small businesses / suppliers 	<p>Expenditures and programs related to enabling opportunities for diverse and small businesses / suppliers. Examples include:</p> <ul style="list-style-type: none"> Procurement of products and services from diverse suppliers Programs that empower small businesses through training, education on potential business opportunities and mentoring Education assistance related to technology, infrastructure, and professional development for minority populations 	1, 4
<p>Access to Essential Services (Telecom)</p> <p>Target Population:</p> <ul style="list-style-type: none"> Underserved communities, particularly those in rural areas 	<p>Investments, expenditures or disbursements related to funding the construction, improvement, acquisition, or maintenance and operation of facilities and equipment needed to provide telecommunications service in underserved areas, including those made through Southern Linc.</p>	9
<p>Access to essential services (education) and advancing economic development and opportunities</p> <p>Target population:</p> <ul style="list-style-type: none"> Underserved employees, communities, and students including the Black community 	<p>Expenditures and programs related to education, training, and assistance that may include grants and loans. Examples include:</p> <ul style="list-style-type: none"> Partnerships with technology schools for the recruiting, training, and development of disadvantaged populations Initiatives to support students at historically black colleges and universities 	3, 4

We will not knowingly allocate proceeds from any issuance of Sustainable Financing Instruments to the following:

- Investments which received an allocation of proceeds under any other Sustainable Financing Instruments by an Issuing Entity
- Activities related to the exploration, production or transportation of fossil fuels (e.g., coal, oil and gas);
- Consumption of fossil fuels for the purpose of power generation; or
- Nuclear energy;

Southern Company does not plan to allocate amounts from parent company issuances to investments which occur at any state regulated subsidiary Issuing Entities. The Issuers reserve the right to continue issuances that do not fall into Sustainable Financing Instruments per this Framework.

4.2 Process for Project Evaluation and Selection

A Sustainable Financing coordination group, comprised of members of different business units of Southern Company (including groups within Treasury, Legal, and Operations, among others), will evaluate potential Eligible Projects and meet on an annual basis to select them. The Treasury Department of Southern Company will approve such selection and oversee internal tracking systems to manage the allocation of an amount equal to the net proceeds from the Sustainable Financing Instrument to Eligible Projects.

4.3 Management of Proceeds

The Treasury department will track the actual amount of net proceeds from the sale of any Sustainable Financing Instruments spent on Eligible Projects. Pending allocation, an amount equal to the net proceeds from the issuance of any Sustainable Financing Instruments will be held in accordance with the Issuing Entity's internal liquidity policy and may be temporarily invested in cash or cash equivalents or used to repay outstanding indebtedness.

In the case of divestment or if a project no longer meets the eligibility criteria listed above, the Issuing Entity intends to reallocate the funds to other Eligible Projects.

Any payment of principal and interest on any Sustainable Financing Instruments will be made from the general account of the Issuing Entity and will not be linked to the performance of any Eligible Project.

4.4 Reporting

Annually, until full allocation of the net proceeds from the sale of any Sustainable Financing Instruments, and on a timely basis in the event of material developments, Southern Company will publish a report (the "Report") on its website (investor.southerncompany.com) that will include:

- (i) the amount of net proceeds from the sale of any Sustainable Financing Instruments that have been allocated to one or more Eligible Projects either individually or by category, subject to confidentiality considerations;
- (ii) the list of Eligible Project categories with a selection of brief descriptions;
- (iii) case studies and expected impact metrics such as carbon dioxide equivalent ("CO_{2e}") emissions avoided and/or number of diverse suppliers reached, where applicable and feasible; and
- (iv) the outstanding amount of net proceeds from the sale of any Sustainable Financing Instruments yet to be allocated to Eligible Projects at the end of the reporting period.

5. External Review

5.1 Second Party Opinion

Southern Company has retained an independent consultant with recognized environmental and social expertise to provide a Second Party Opinion ("SPO") on the environmental and social benefits of Southern Company's Sustainable Financing Framework as well as the alignment to GBP, SBP, SBG, and GLP. The SPO is available on the SPO provider's website.

5.2 Assurance

At a minimum, the first Report following complete allocation of an amount equal to the net proceeds of a Sustainable Financing Instrument will be accompanied by (i) assertions by management of the Issuing Entity that an amount equal to the net proceeds of an offering of bonds was allocated to Eligible Projects, and (ii) an attestation report from an independent accountant in respect of the independent accountant's examination of management's assertion conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

Disclaimer

The information and opinions contained in this Southern Company Sustainable Financing Framework (this "Framework") are provided as at the date of this Framework and are subject to change without notice. None of Southern Company or any of its subsidiaries assumes any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. This Framework represents current Southern Company policy and intent, is subject to change and is not intended to, nor can it be relied on, to create legal relations, rights or obligations. This Framework is intended to provide non-exhaustive, general information. This Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by Southern Company or its subsidiaries and, accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Southern Company or its subsidiaries as to the fairness, accuracy, reasonableness or completeness of such information.

Certain information contained in this Framework is forward-looking information based on current expectations and plans that involve risks and uncertainties. Forward-looking information includes, among other things, future emission expectations and reduction goals, future business strategies and planned allocation of net proceeds. Southern Company and its subsidiaries caution that there are certain factors that can cause actual results to differ materially from the forward-looking information that has been provided. The reader is cautioned not to put undue reliance on this forward-looking information, which is not a guarantee of future performance and is subject to a number of uncertainties and other factors, many of which are outside the control of Southern Company and its subsidiaries; accordingly, there can be no assurance that such suggested results will be realized. The following factors, in addition to those discussed in Southern Company's and its subsidiaries' Annual Reports on Form 10-K for the year ended December 31, 2019, Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 and subsequent securities filings, could cause actual results to differ materially from management expectations as suggested by such forward-looking information: the impact of recent and future federal and state regulatory changes as well as changes in application of existing laws and regulations; the potential effects of the continued COVID-19 pandemic; the extent and timing of costs and legal requirements related to coal combustion residuals; current and future litigation or regulatory investigations, proceedings or inquiries; the effects, extent and timing of the entry of additional competition in the markets in which Southern Company's subsidiaries operate; variations in demand for electricity and natural gas; available sources and costs of natural gas and other fuels; the ability to control costs and avoid cost and schedule overruns during the development, construction and operation of facilities or other projects; the ability to construct facilities in accordance with the requirements of permits and licenses, to satisfy any environmental performance standards and the requirements of tax credits and other incentives and to integrate facilities into the Southern Company system upon completion of construction; state and federal rate regulations and the impact of pending and future rate cases and negotiations; and catastrophic events such as fires,

earthquakes, explosions, floods, tornadoes, hurricanes and other storms, droughts, pandemic health events or other similar occurrences.

None of the future projections, expectations, estimates or prospects in this Framework should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in this Framework. No representation is made as to the suitability of any Sustainable Financing Instruments to fulfill environmental and sustainability criteria required by prospective investors. Each potential purchaser of Sustainable Financing Instruments should determine for itself the relevance of the information contained or referred to in this Framework or the relevant documentation for such Sustainable Financing Instruments regarding the use of proceeds and its purchase of Sustainable Financing Instruments should be based upon such investigation as it deems necessary. Southern Company has set out its intended policy and actions in this Framework in respect of use of proceeds, project evaluation and selection, management of proceeds and reporting, in connection with the Sustainable Financing Instruments. However, nothing in this Framework is intended to modify or add to any covenant or other contractual obligation undertaken by Southern Company or any of its subsidiaries in any Sustainable Financing Instruments that may be issued in accordance with this Framework. This Framework does not create any legally enforceable obligations against Southern Company or any of its subsidiaries; any such legally enforceable obligations relating to any Sustainable Financing Instruments are limited to those expressly set forth in the indenture and notes governing such Sustainable Financing Instruments. Therefore, unless expressly set forth in the indenture and the notes governing such Sustainable Financing Instruments, it will not be an event of default or breach of contractual obligations under the terms and conditions of any such Sustainable Financing Instruments if Southern Company or any of its subsidiaries fails to adhere to this Framework, whether by failing to fund or complete Eligible Projects or by failing to ensure that proceeds do not contribute directly or indirectly to the financing of the excluded activities as specified in this Framework, or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on uses of proceeds and environmental impacts as anticipated by this Framework, or otherwise. In addition, it should be noted that all of the expected benefits of the Eligible Projects as described in this Framework may not be achieved. Factors including (but not limited to) those described in the immediately preceding paragraph could limit the ability to achieve some or all of the expected benefits of these initiatives, including the funding and completion of Eligible Projects. Each environmentally focused potential investor should be aware that an Eligible Project may not deliver the environmental or sustainability benefits anticipated, and may result in adverse impacts. This Framework does not constitute a recommendation regarding any securities of Southern Company or its subsidiaries. This Framework is not, does not contain and may not be intended as an offer to sell or a solicitation of any offer to buy any securities issued by Southern Company or any of its subsidiaries. In particular, neither this document nor any other related material may be distributed or published in any jurisdiction in which it is unlawful to do so, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession such documents may come must

inform themselves about, and observe, any applicable restrictions on distribution. Any decision to purchase any Sustainable Financing Instruments should be made solely on the basis of the information to be contained in any offering document provided in connection with the offering of such Sustainable Financing Instruments. Prospective investors are required to make their own independent investment decisions.