

2020 supplier diversity

Economic impact report

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Message from the President and CEO

Southern Company Gas

As a leader in the energy industry, Southern Company Gas is proud to partner with diverse vendors that provide innovative solutions, products and services.

As our customers' expectations continue to grow, largely due to continued improvements in technology, we must continue to find new and improved ways to provide clean, safe, reliable and affordable natural gas. That means we must have an open mind and be receptive to various solutions.

We are committed to fostering long-term relationships with our qualified, diverse business partners and to increasing opportunities throughout our value chain. We know it's not just the right way to do business...but the best way.

Kim Greene

*Southern Company Gas
President and CEO*



Message from the President and CEO

Nicor Gas

At Nicor Gas, supplier diversity isn't a program or initiative, but a strategic business imperative. We believe that supplier diversity is good for our company, our customers and our communities. More importantly, we understand that our beliefs must align with our commitments and our actions.

Over the past years, we have diligently worked to build upon our rich history and pursue our vision of making a positive impact on our customers, employees and the communities in which we live and work. We continued to build an organizational culture where supplier diversity is woven into the fabric of our business.

We remain committed to embracing and promoting diversity, equity and inclusion as a corporate value. We are very intentional around building and developing relationships with diverse partners and subcontractors, and realize the important role they play in helping us to improve efficiencies, spur economic growth and drive innovation.

John Oliver Hudson

*Nicor Gas
President and CEO*



Supplier Diversity

Supplier Diversity Business Development Program (SDBDP)

At Nicor Gas, we believe diverse businesses bring innovation, quality and overall competitive value to our organization. Helping diverse suppliers to develop their business and understand the gas industry will create a strong pipeline of diverse businesses to service our business needs.

Our Supplier Diversity Business Development Program (SDBDP) is dedicated to helping diverse partners achieve their strategic goals through the provision of mentoring, individualized management consultations, education and technical assistance. By leveraging the knowledge and commitment across our organization, Nicor Gas provided program participants with the tools, resources and expertise needed to grow their businesses through strategic partnerships with leaders inside and outside our organization.

Despite facing one of the greatest pandemics this world has ever experienced, it was important for us to continue the development program. We took this challenge and created an opportunity to form new and innovative ways to develop our partners through digital adoption. Since the development program began in 2015, SDBDP has enriched more than 30 diverse businesses in all areas necessary to advance their business growth, and equip them with the education, supportive networks and customized services needed to support their prospects of doing business with us.

In 2020, we conducted our first virtual graduation to celebrate the 14 diverse businesses in the program along with their mentors in the cohort. More importantly, **several of these diverse businesses secured contracts between 2019–2020 with a total spend of \$67.1 million** within various categories to include gas equipment, pipeline services and engineering across our footprint.



Diverse Business Partnerships (DBP)

Our Diverse Business Partnership (DBP) is a formalized process of identifying and developing strategic, long-term, sustainable business partnerships between Nicor Gas and specific, key certified minority, women, and veteran-owned businesses (MWVBes).

Through the continued efforts of our DBP steering committee, we will continue to:

- Identify long-term sustainable business alliances
- Invest in developmental activities that support capacity building of diverse businesses
- Develop a framework that enables Nicor Gas to continuously grow work with diverse businesses
- Educate employees on how to identify and establish relationships with diverse partners
- Work through challenges that include the diverse businesses onboarding process and educating partners about our business



The quantitative results of our DBP efforts will help drive projects that will generate Tier 1 diverse spend

A diverse workforce

We're building a workforce reflective of the communities we serve, delivering industry-leading service to our customers and stakeholders through innovation, creativity and diverse perspectives.

In 2018, Nicor Gas, in partnership with International Brotherhood of Electrical Workers (IBEW) Local 19, NPL Construction Co. and the Quad County Urban League, launched the **Nicor Gas Career Academy**. This six-week job-readiness program focuses on natural gas operations integrated with core math concepts, employability skills as well as personal and professional development.

The objective of the program is to help diverse candidates develop the skills and learn the tools needed to prepare them for entry level work in the utility industry.

With 120 graduates and a 50% hire rate, the Career Academy continues to be a successful program thanks to the help of our partners: The Quad County Urban League, NPL, KS Energy Services, INTREN, Pipe Strong and International Brotherhood of Electrical Workers (IBEW) Local 19.

Since launching in 2018, more than 52% of Career Academy graduates have been offered jobs either through Nicor Gas or our contracting partners.



Mentorship



Burns & McDonnell Engineering Company, Inc. is a full-service engineering, architecture, construction, environmental and consulting solutions firm with more than 7,000 employees worldwide with a mission unchanged since 1898 to make their clients successful.

Forming strong partnerships is a large part of Burns & McDonnell's philosophy that leads to successful projects. They dedicate experienced leaders to look for diverse companies that share their philosophy and willingness to build long-term relationships that will become valued extensions of their own team. A diverse company starts as a Tier 2 relationship with Burns & McDonnell and through mentorship can move into a Tier 1.

Such as the case with contracting partner Professional Environmental Engineers, Inc. (PE), who Burns & McDonnell continues to this day to support and grow their relationship. PE is a minority- and women-owned small business that is a full-service environmental engineering and consulting firm that specializes in providing cost-effective solutions for governmental and commercial clientele.

Backed by the support of Burns & McDonnell, PE soon began working with Nicor Gas and assisting them with their environmental needs. **Today, PE is considered Nicor Gas' Prime Partner for its routine stormwater program and has grown in employees locally.**

“ PE has had a handful of companies that assist us over our 22 years of existence, but we had never truly experienced ‘mentorship’ until we met Joan Gonzalez and Burns & McDonnell. They took us under their wing five years ago at a Nicor Gas Supplier Diversity event and have epitomized the definition of mentor ever since. They have shown remarkable commitment in providing guidance, direction and support to PE, and have facilitated our growth and development as a company and as an environmental provider to Nicor Gas. We would not be where we are today without them. ”

Filippe Cade

President, Professional Environmental

Partnership



Richards is a full-service resource for asset management, offset printing, digital imaging, fulfillment, inventory management, mailing and distribution. They are a leader in creating internet-based, customized marketing collateral for corporations with multiple locations and thousands of employees.

After receiving information on Richards at a Chamber event in 2015, Nicor Gas selected the company to build and host a custom, branded, online marketing tool for its energySMART program that allows Nicor Gas’ trade allies easy access directly from the Contract Circle portal.

In collaboration with CLEAResult, the single largest provider of energy solutions in North America, Richards responded with a robust, intuitive marketing tool that is easily accessible to Nicor Gas’ trade allies. The tool helps promote assessments, free products and rebates to qualifying Nicor Gas customers.

Since the launch in 2015, over 800 orders have been placed for the energySMART program by both independent trade allies as well as the marketing team. Because of its relationship with Nicor Gas, Richards has established partnerships with three of Nicor Gas’ Tier 1 partners. Through these new relationships, Richards is now working with 13 regional utilities.

“We were also invited to attend Illinois Utilities Business Diversity Council (IUBDC) as well as Tier 1 Matchmaking Events,” says Mary Lawrence, president of Richards Graphic Communications. “In doing so, we were able to meet with KS Energy and are now working with them to produce their stationery and safety training materials.”

Since partnering with Nicor Gas in 2015, Richards has seen a 10% increase in sales.

“ *Richards Graphic is thrilled to be a partner to Nicor Gas. Richards has produced millions of energySMART bill inserts, as well as a variety of marketing material to support Nicor Gas employee and community events.* ”

Mary Lawrence

President, Richards Graphic

Growth

It all started in 2001 with a man in his Chicago basement with a dream of growing his small business into an empire. Twenty years later, he's the proprietor of Milhouse Engineering and Construction, Milhouse Snow, Milhouse Forestry and Milhouse Charities, doing business in three different countries.

Wilbur C. Milhouse III had a passion for supporting his community and the engineering profession through extensive involvement in civic, charitable and professional organizations. His team began inspections for Nicor Gas following completion of the Southern Company Gas Business Development Program in 2012. They now handle larger transmission and distribution work throughout the Southern Company Gas system and recently began working with our sister company, Georgia Power. He credits the company and program for helping expand his business and open it to more avenues. Wilbur hopes that like Southern Company Gas, other organizations see the advantages of supporting smaller, minority-owned businesses and the growth that can come from it.

“ There’s other Wilbur Milhouses of the world and other opportunities for individuals to grow. Giving that opportunity in the same way I received it gives larger companies a chance to spread the dream. ”

Wilbur C. Milhouse III

Founder, Milhouse Engineering and Construction



Milhouse Forestry, a newly formed subsidiary of Milhouse Engineering and Construction, recently celebrated a new vegetation-management partnership with Georgia Power that is expected to create more than 100 local jobs.

Tapping a Black-owned Business in an industry where few minority-owned companies operate furthers the system’s commitment to increasing the business we do with diverse companies. “This relationship is a great example of where hard work and teamwork can unite to make the dream work for diverse companies and diverse communities for years to come,” said Frank D. Martin, President for Milhouse Forestry. There are plans for Milhouse Forestry to expand into Illinois to support Nicor Gas very soon.



2020 economic impact



How we measure economic impact

Supplier diversity programs help foster jobs and economic activity in underrepresented segments of communities. Inclusive procurement practices provide opportunities for diverse businesses, that in turn increase representation, create job opportunities and provide economic advancement for historically underrepresented groups, including racial minorities, women, veterans and members of the LGBTQ+ community.



Economic impact metrics

Economic impact reports communicate the impact of the economy using these standard measures: Production, Wages, Jobs and Taxes.



Production

Measure the cumulative revenues of all businesses impacted through the program: Direct, Indirect and Induced.



Wages

Measure the cumulative earnings of the employees in the jobs supported through supplier diversity purchases.



Jobs

Created within Nicor Gas' supply chain and in the supplier's communities.



Taxes

Measures the federal, state and local tax revenues that are generated through economic activity.

Our commitment to supplier diversity

We are proud of our strong, long-term, trusting relationships with suppliers, which drive value for customers and our company.

We help grow diverse suppliers' businesses through:



Mentorship programs



Engagement and inclusion



Second tier program



The 2020 economic impact of our purchases from diverse businesses

\$854M

Production impact



\$323M

Wages supported



5,645

Jobs supported



\$264M

Taxes generated



Our impact channels

Our spending with diverse and small suppliers generates economic activity in its supply chain and their communities. These impacts can be categorized into three types. First, the direct impacts are the jobs and payroll directly supported at the Nicor Gas' diverse suppliers. Next, there are additional spin-off impacts. Indirect impacts occur in the lower tier suppliers and induced impacts occur at the local businesses that supply products to the employees and their families in the jobs supported in the supply chain.



Economic impact channels

Nicor Gas' purchases have a ripple effect on the supply chain. The total economic impact is comprised of three components: Direct, Indirect and Induced.



Direct

This is impact at Nicor Gas' immediate small and diverse suppliers.



Indirect

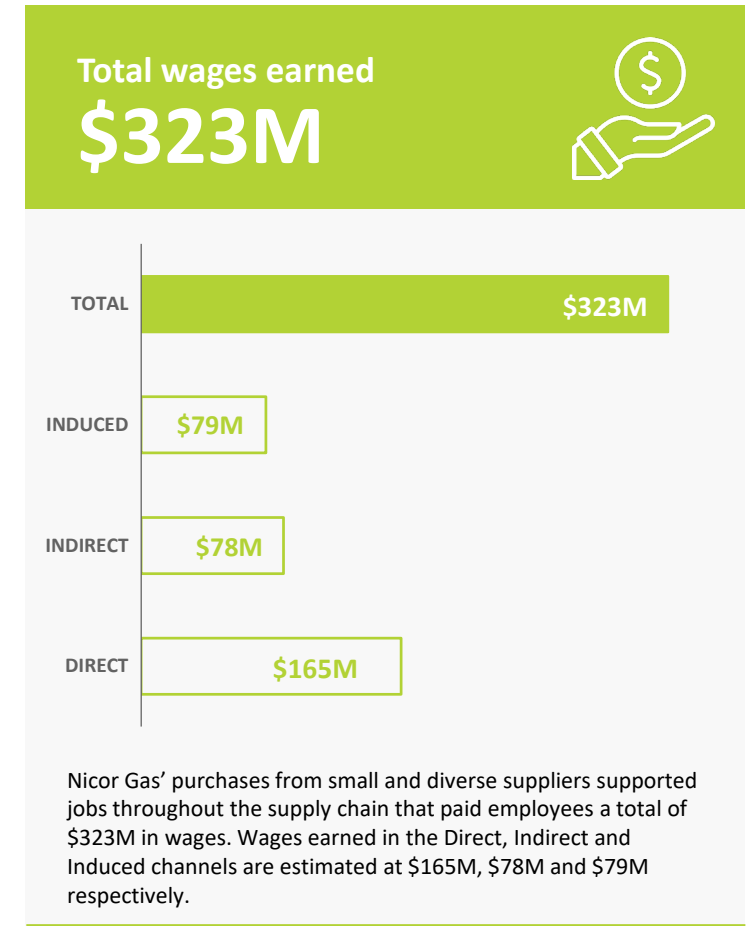
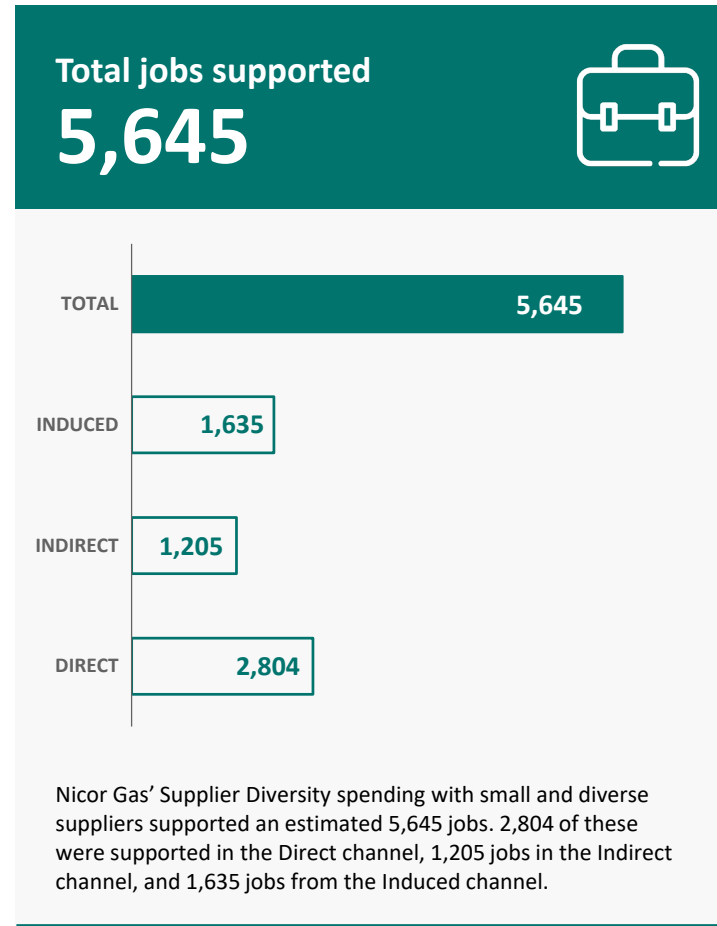
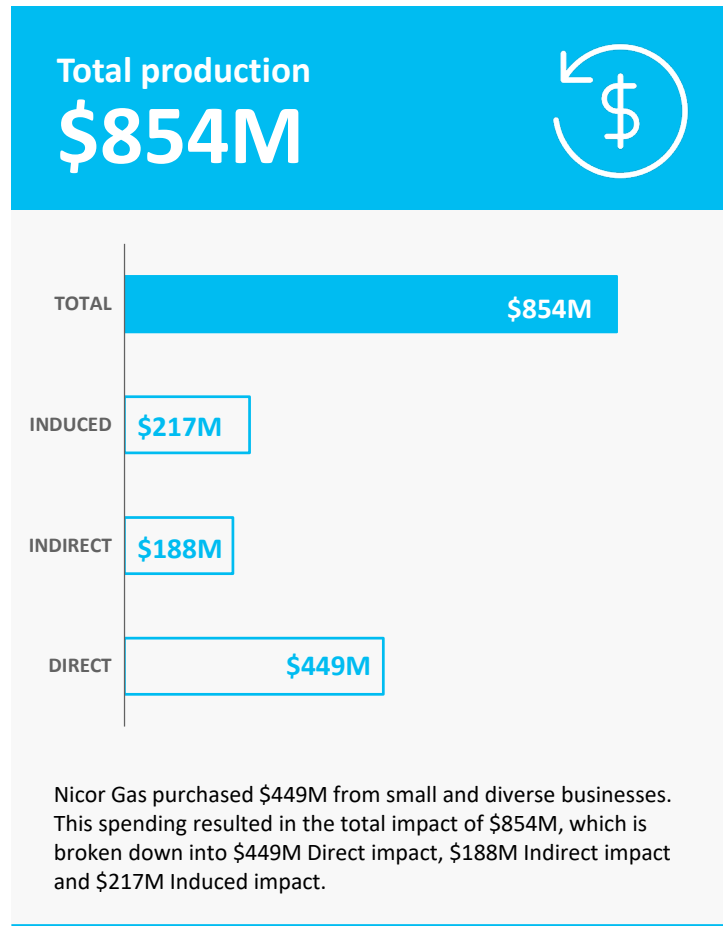
Nicor Gas' small and diverse suppliers purchase goods and services from other suppliers, which creates a ripple effect through the economy.



Induced

Employees in the jobs created in the supply chain to satisfy Nicor Gas' purchases support additional jobs in their communities.

Nicor Gas' 2020 economic impact



Note: Includes both Tier 1 and Tier 2 supplier data. Direct, Indirect and Induced numbers may not add up to the total due to rounding.

Our YOY purchases with minority-owned businesses

Minority-owned business (MBE) spend by Tier from 2018 to 2020



* Includes both Tier 1 and Tier 2 supplier data.

Our YOY purchases with women-owned businesses

Women-owned business (WBE) spend by Tier from 2018 to 2020



Total WBE spend*
\$392M
from 2018 to 2020



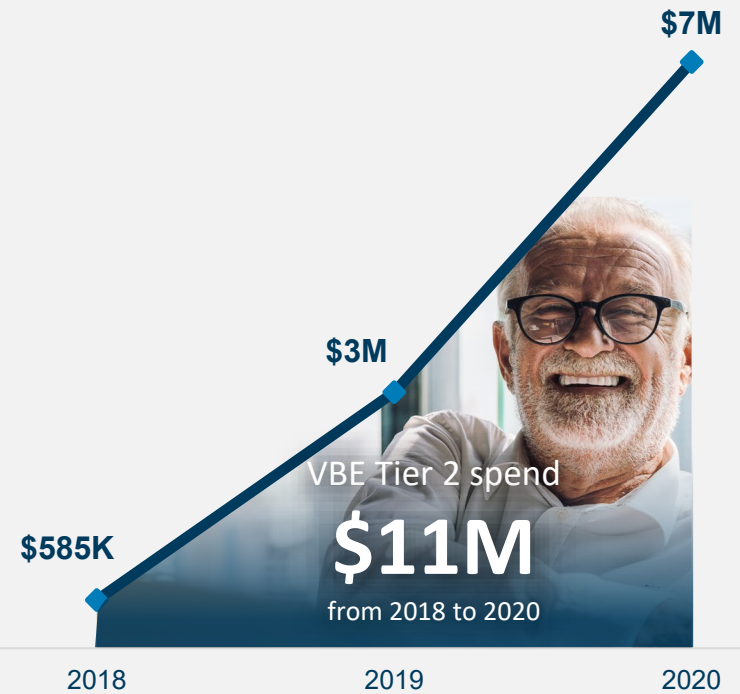
* Includes both Tier 1 and Tier 2 supplier data.

Our YOY purchases with veteran-owned businesses

Veteran-owned business (VBE) spend by Tier from 2018 to 2020



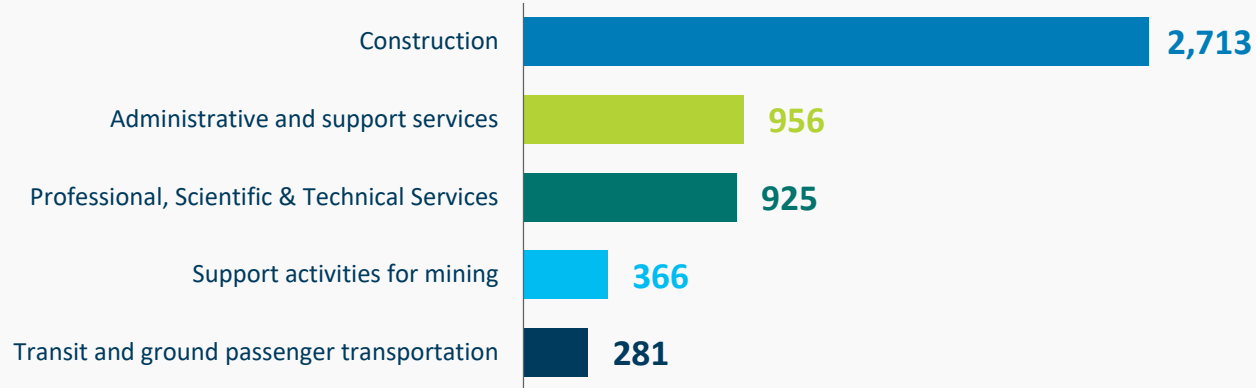
Total VBE spend*
\$34M
from 2018 to 2020



* Includes both Tier 1 and Tier 2 supplier data.

Our combined impact on Top 5 Industries

Jobs generated through Nicor Gas diverse spend



Minority-owned Businesses

\$311M

Diverse spend

1,829

Jobs

\$109M

Wages

Women-owned Businesses

\$122M

Diverse spend

909

Jobs

\$52M

Wages

Veteran-owned Businesses

\$16M

Diverse spend

67

Jobs

\$4M

Wages

NOTE: Includes both Tier 1 and Tier 2 supplier data.

Our 2020 economic impact in Illinois

\$449M

Small & diverse purchases



2,804

Jobs

Supported as a result of Nicor Gas' supplier diversity purchases



\$165M

Wages

Earned through supported jobs



\$133M

Taxes

Contribution to State and Local taxes



\$854M

Contribution to GDP in Illinois

Through Nicor Gas' purchases from diverse businesses



NOTE: Includes both Tier 1 and Tier 2 supplier data.

Nicor Gas diverse spend by county in Illinois (in Thousands)

County	2018				2019				2020			
	MBE	VBE	WBE	Total	MBE	VBE	WBE	Total	MBE	VBE	WBE	Total
Champaign			\$0.4	\$0.4			\$346.3	\$346.3	\$1.2		\$40.5	\$41.6
Cook	\$61,373.7	\$968.8	\$26,177.7	\$88,520.3	\$67,410.0	\$1,569.5	\$9,800.1	\$78,779.5	\$99,095.4	\$5,677.8	\$11,382.4	\$116,155.6
Crawford			\$13.7	\$13.7								
DeKalb			\$676.1	\$676.1			\$4,071.8	\$4,071.8			\$927.2	\$927.2
DuPage	\$11,999.3	\$140.2	\$17,225.8	\$29,365.3	\$5,223.2	\$610.1	\$2,042.9	\$7,867.2	\$3,848.2	\$240.9	\$24,475.7	\$28,564.8
Grundy							\$33.7	\$33.7			\$988.9	\$988.9
Jackson		\$1.3		\$1.3								
Jefferson							\$837.3	\$837.3				
Kane	\$71	\$3,322.6	\$438.0	\$3,767.7					\$1,802.1	\$3,747.5		\$5,549.6
Kankakee					\$0.2			\$0.2				
Kendall	\$124.2			\$124.2			\$6.3	\$6.3	\$100.9			\$100.9
Lake	\$10.9		\$573.5	\$584.4			\$743.8	\$743.8	\$7.5		\$410.5	\$418.0
LaSalle			\$223.4	\$223.4	\$699.7		\$14.6	\$714.4			\$304.4	\$304.4
Livingston			\$128.3	\$128.3			\$161.3	\$161.3			\$702.9	\$702.9
Madison		\$5.4		\$5.4					\$1,886.3	\$7.3		\$1,893.6
McHenry		\$891.2	\$5,009.6	\$5,900.8	\$1.2	\$686.9	\$2,993.1	\$3,681.2	\$3,575.4		\$3,838.3	\$7,413.7
McLean	\$15.2		\$15.5	\$30.6	\$12.2		\$4.1	\$16.3	\$13.4		\$4.5	\$17.9
Ogle			\$3,672.3	\$3,672.3			\$5,552.0	\$5,552.0		\$236.5		\$236.5
Peoria		\$0.9		\$0.9	\$44.2		\$12.4	\$56.6	\$13.8			\$13.8
Richland										\$55.1		\$55.1
Rock Island			\$109.8	\$109.8	\$2.1		\$0.0	\$2.1			\$313.4	\$313.4
Sangamon										\$1.2		\$1.2
St. Clair	\$2.8		\$9.3	\$12.1	\$148.4		\$10.8	\$159.2	\$274.3		\$0.1	\$274.4
Whiteside		\$0.1		\$0.1			\$3,136.2	\$3,136.2		\$0.2		\$0.2
Will	\$1.4		\$4,941.4	\$4,942.8	\$19,783.6		\$14,346.1	\$34,129.8	\$160.3		\$4,753.1	\$4,913.4
Winnebago	\$7		\$3,714.4	\$3,721.4	\$2,056.0	\$1,274.7	\$1,923.7	\$5,254.4	\$174.8		\$5,808.4	\$5,983.2
Waukesha										\$9.0		\$9.0

2018 total spend
\$141,801.3
 \$73,541.6 MBE
 \$5,330.6 VBE
 \$62,929.1 WBE

2019 total spend
\$150,638.3
 \$95,467.1 MBE
 \$6,984.0 VBE
 \$48,187.1 WBE

2020 total spend
\$174,879.4
 \$107,264.9 MBE
 \$9,909.2 VBE
 \$57,705.2 WBE

Grand total
\$467,318.9
 \$276,273.7 MBE
 \$22,223.8 VBE
 \$168,821.4 WBE



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Appendix: economic impact modeling

Economic impact modeling is a standard tool used to quantify the economic contribution of an investment or company. This modeling uses an “Input-Output” economic model to estimate the number of times each dollar of “input,” or direct spend, cycles through the economy in terms of “indirect and induced output,” or additional spend, personal income and employment.

There are several Input-Output models used by economists to estimate multiplier effects. Supplier.io employed the IMPLAN input-output model in developing estimates of spend, income and employment impacts. This model, initially developed by the U.S. Department of Agriculture, examines inter-industry relationships in local, regional and national economies.

The Input-Output multipliers are derived from a comprehensive and complex set of inputs based on the collection of business and employment data. Indirect impacts of economic activity in a targeted geographic area are calculated by applying multiplier coefficients to the direct impact spending. Since most of the businesses in the study are considered as local businesses, each supplier was assumed to have operations primarily in one state. These multipliers consider an amount of “leakage” from the state economy because some wages and expenditures will be spent outside of the state. The economic activity is calculated by state and these state-level results are aggregated to determine the national totals.

Analysis performed by **supplier.io**

Assumptions

This analysis relies on the following assumptions:

For suppliers that have multiple locations, all impact is evaluated at the headquarters location. This may overestimate the impact in the headquarters state and underestimate the impact in other states.

For suppliers that provide services in multiple NAICS code, unless otherwise indicated, all impact is calculated using the supplier's primary NAICS code.

A supplier impact is assumed to be localized within a state.

The model predicts impact results based on industry averages and is an aggregate across all companies. The calculations cannot be applied to individual companies and may differ from actual jobs and incomes at specific companies.

References

This report is based on an analysis of data provided by the customer and information from the following sources:

US Government Revenues: http://www.usgovernmentrevenue.com/total_2014USrt_17rs1n

IMPLAN (<https://implan.com>)

United States GDP: <http://www.tradingeconomics.com/united-states/gdp>

RIM II User Guide - A essential tool for regional developers

and planners: https://www.bea.gov/sites/default/files/methodologies/RIMSII_User_Guide.pdf

Input-Output Models for Impact Analysis: Suggestions for Practitioners Using RIMS II

Multipliers <https://www.bea.gov/system/files/papers/WP2012-3.pdf>



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