



## DELIVERING INNOVATIVE & SUSTAINABLE ENERGY SOLUTIONS

Achieving America’s clean energy objectives requires a transformation of the electric sector. Our smart investments in clean energy today — including renewables and advanced technologies — aim to stabilize energy costs and stimulate economic growth in the future.



2021 Corporate Accountability Report

### A MESSAGE FROM THE CHAIRMAN

“At AEP, we deliver an essential service that improves customers’ lives and supports the health and economic strength of our nation. It is our purpose and our responsibility. In 2020, we were tested in ways we could not have imagined. I am very proud of our employees who never wavered in their commitment to serving our customers, regardless of the conditions around us.”

[Learn more](#)



### FUTURE FORWARD STRATEGY

AEP’s Future Forward strategy accelerates our efforts to achieve our



### SUSTAINABLE FINANCE FRAMEWORK

AEP’s Sustainable Finance



### DIVERSITY, EQUITY & INCLUSION

We value a supportive, inclusive environment for our employees that

net-zero clean energy objectives.

[Learn more](#)

Framework strengthens the link between our finance strategy, clean energy commitments and social values.

[Learn more](#)

reflects the diversity of our communities.

[Learn more](#)

## POWERING FORWARD TO NET-ZERO

We are committed to transitioning to clean energy as fast as we can, without compromising reliability, affordability, or the security of the electric power system. We undertook a yearlong assessment in 2020 to better understand the physical, economic and social risks associated with our transition to a clean energy future. Learn more in our Climate Impact Analysis Report.

[Learn more](#)

## Dear Friends and Colleagues,

At AEP, we deliver an essential service that improves customers' lives and supports the health and economic strength of our nation. It is our purpose and our responsibility. In 2020, we were tested in ways we could not have imagined. The coronavirus pandemic abruptly changed our lives in big and small ways, perhaps permanently. The social and racial justice movement made us think hard about what we stand for, and several severe weather events harmed our communities and customers across the country. These events underscore the need for a thoughtful transition to a clean energy future. I am inspired by the triumph of the human spirit in extraordinary times. The resilience of our employees and customers reinforced our belief that agility, innovation and technology will guide our path forward. Our vision of building a brighter future together in a clean energy economy endures.

The pandemic confirmed the life-saving power of a resilient, reliable and affordable electric system for all. More than ever, we are committed to delivering a sustainable energy future that is inclusive, reliable and clean. We are amplifying our advocacy for social justice in our communities and supporting change and equity through visible actions. No matter the challenge, our plan puts people first. Together, we will achieve environmental sustainability, and actualize economic empowerment and social justice. Together, we will transition to a clean energy future.



### 2021 Chairman's Message



Nicholas K. Akins, Chairman, President & Chief Executive Officer discusses AEP's Future Forward strategy during an employee webcast.

## Safety, Health & COVID-19

We distinguish our success with Zero Harm, a core value of our corporate culture. We strive to send every employee home at the end of their workday in the same or better condition than when they came to work. In 2020, when the COVID-19 pandemic tested our resolve, we held fast to both the letter and spirit of Zero Harm. I am proud of our employees who quickly adapted to new safety protocols. Face coverings and social distancing became the norm. We reconfigured "storm restoration" basecamps to meet strict COVID-19 protocols and sourced appropriate PPE for our crews. In addition, we implemented new pay and leave programs to support our employees and their families.

As vaccine rollouts progress and society prepares a post-pandemic reality, our vigilance continues. We encourage our employees to get vaccinated and we are offering a one-time incentive to do so, helping our communities rebound from the effects of the pandemic.

2020 ranks among our best years for safety performance. Our five-year safety and health transformation achieved a 34% reduction in our DART rate (Days Away, Restricted or Job Transfer). We celebrate these achievements – zero employee fatalities and improved safety performance – as we continue our relentless pursuit of Zero Harm. We learn from every event that occurs, enabling us to develop new, leading initiatives that help us to be even more proactive in preventing harm. We do it for ourselves, for each other, and for our families.

## Helping Fight Racial and Social Injustice

The killings of George Floyd and Breonna Taylor and the U.S. Capitol insurrection pushed systemic racism and political divisiveness into the headlines, leaving a lasting imprint on our communities, our customers and our employees. These events were a call to action to finding unity and improving equity, inclusion and diversity.

We launched “Seize the Moment” in 2020 to accelerate achievement of our diversity, equity and inclusion goals. We held frank conversations about racism, organized town hall webcasts about biracial marriages and being the only one in the room, among other topics. We launched Safe Space Conversations to share experiences with racism and bias. These initiatives have had a profound effect on me personally. Hearing one of our African American employees say that he “can breathe” at AEP gave me optimism. His experience opened my eyes to how close this pain hits home. I also have met with Asian American employees who showed remarkable strength in the face of hate and fear. People deserve to be treated with dignity and respect, at work and in society. Our nation’s divisions run deep, and change requires personal courage. We must rise to the challenge.

Saying we oppose racism and biases isn’t enough; we must take meaningful action. In 2021, we launched a \$5 million *Delivering On the Dream: Social and Racial Justice* grant program through the AEP Foundation. The program funds organizations that are doing meaningful work to advance equity and racial justice. We will bring together allies, advocates and volunteers to stand with us for social justice. We joined other Columbus, Ohio companies that supported a City Council resolution designating racism a public health threat. We still have a lot of hard work ahead of us to understand and disrupt biases. I have faith that we have the capacity and the will to come together, open our hearts and minds to new perspectives, and be catalysts for change in the communities where we live and work.

## New Climate Goals, Analysis

Climate change is a defining issue of our time and one of the top issues of engagement with many of our stakeholders. We are committed to transitioning to clean energy as fast as we can, without compromising reliability, affordability, or the security of the electric power system. In 2020, our CO<sub>2</sub> emissions were nearly 74% less than in 2000, achieving our 2030 carbon reduction goal a decade ahead of schedule. So, in 2021, we announced new, accelerated carbon emission reduction goals, adding net-zero by 2050.

### AEP’s New Carbon Emission Reduction Goals

**80%** reduction by 2030  
**Net-Zero** by 2050

(goals are from a 2000 baseline)

We have already made significant progress. We have retired, sold or converted to natural gas nearly 13,500 MW of coal-fueled generation during the past decade, and by 2030 will reduce our coal-fueled generating capacity by 74% from 2010 levels. In April 2021, Indiana Michigan Power and AEP Generating Company reached an agreement to acquire the 1,310-megawatt Rockport Plant Unit 2 from the current owners when the lease expires at the end of 2022. This acquisition will provide a short-term capacity bridge for customers as we transition to more renewable generation and will ensure both Rockport Plant units are retired by the end of 2028.

We undertook a yearlong assessment in 2020 to better understand the physical, economic and social risks associated with our transition to a clean energy future. We published our findings in our [Climate Impact Analysis Report](#) in March 2021. Our scenario impact analysis shows us a way forward to net zero - achieving greater than a 90% reduction in carbon emissions by 2050; the remainder could be offset. Technology and low-carbon fuels will play a critical role in getting us all the way there. U.S. President Joe Biden’s climate plan calls for decarbonizing the power sector by 2035. While we believe this plan is overly optimistic, we are working collaboratively to achieve net-zero carbon emissions as soon as possible for our customers and our communities.

## Helping Our Employees, Communities Transition

The effects of a coal plant retirement reach far beyond the fence line of the plant itself. As we prepare to retire our coal-fueled generation fleet in the years to come, our focus is on providing new opportunities for affected workers, and addressing the social and economic impacts on the affected communities.

On average, a typical plant operated by AEP generates \$160 million in regional economic activity, provides \$63 million in labor income, and supports more than 700 regional jobs annually.

We are identifying potential opportunities across AEP for affected employees, including providing training to ensure they have the skills needed for different jobs. We also have committed to support union labor in the construction of new wind and solar facilities on our system, wherever possible. Our long-term strategy for modernizing and strengthening the grid also provides employment and economic opportunities in the regions we serve.

The issues of transitioning to a clean energy future are bigger than any company or community can solve on its own. We have a lot of experience working with all stakeholders, and we are committed to seeking solutions that provide communities a just transition to the future. We welcome partners and collaborators to ensure the transition is successful.

One example is our collaboration with local leaders to create jobs through our Appalachian Sky initiative. Appalachian Sky aims to market the Appalachian region to the aerospace industry. Studies have shown that the skills of energy industry workers are transferrable to the aerospace industry and Appalachian Sky is working to make the region a hub for that industry. This work aligns with President Biden's creation of a Working Group on Coal and Power Plant Communities and Economic Revitalization. We want our communities to be strong and vibrant because their success drives our success.

## Future Forward: The Road to Net-Zero

Our commitment for a clean energy future is accelerating with our new Future Forward strategy. Under our proposed plan, which must be approved by regulators, AEP would add nearly 16,600 MW of new, clean wind and solar generation to our regulated fleet by 2030. We will do it by building upon our long history of industry leadership in central power generation and 765-kV transmission innovation. In less than a decade from now, our plan would shift 51% of our total capacity to renewables. These investments will transform the electric system while ensuring its reliability, affordability and resilience.

In putting this plan together, we reviewed the resource needs for each of our regulated operating companies. We want to plan and build the right system and the right solutions for the future that meet our customers' needs. At the same time, we are optimizing our existing systems to grow value for customers and investors. Our portfolio includes projects in regulated renewable generation, transmission, energy storage, microgrids, distributed generation, and other emerging on-grid technologies. We also are working to ensure that public policies are in place to support new, cleaner resources and solutions.

Today, the first phase of our 1,485 MW North Central Wind energy facilities in Oklahoma is delivering clean, cost-effective wind energy to customers of Public Service Company of Oklahoma and Southwestern Electric Power Company (SWEPCO). The \$2 billion project is estimated to save customers in Arkansas, Louisiana and Oklahoma approximately \$3 billion over the next 30 years.

The severe cold and ice conditions in February 2021 that caused significant outages from Texas to West Virginia reminded us that the clean energy transition must be measured and realistic. Our nation's energy supply is essential to maintaining and supporting our economy and our way of life. Although the road to net-zero is daunting, our transformation has been underway for more than a decade. We have already made significant strides, and we are confident we will achieve it.

## Operational Excellence, Fiscal Discipline

AEP's track record of steady growth reflects our commitment to operational excellence, continuous improvement, and fiscal discipline. Despite the challenges of COVID-19, we continued to deliver consistent quality earnings in 2020. Our Achieving Excellence program is the cornerstone of our resource optimization efforts. Through the program, employees bring forward ideas that improve processes and efficiency and help us to reduce costs. More than 10,000 ideas have been submitted since 2019. One outcome of Achieving Excellence was our move to the NASDAQ stock exchange whose tradition of innovation aligns with our company's strategic goals. Other examples include streamlining our Distribution Line

Training and creating a Project Management Center of Excellence. Such successes fuel productivity and growth, organizational profitability and longevity.

The pandemic showcased the strength of our business continuity and emergency plans. We can finally see light at the end of this unprecedented event, but we are not out of the woods yet. We continue to help communities and economies recover. We do so by optimizing O&M spending and making smart investments to modernize the grid.

## Future of Work

Long before the pandemic, we were on a journey to reimagine the future of work. Until then, technology was the biggest disruptor in the workplace. The pandemic surpassed that, forcing us to revise policies about how and where we do our work. While a majority of our workforce seamlessly transitioned to remote work, our front line employees continued doing essential work in the field to maintain and operate the electric system. In the face of unprecedented challenges, our employees showed resiliency and agility.

Our Future of Work program embraces the lessons we've learned from the pandemic and puts in place a support system for a distributed workforce. We demonstrated that we can accomplish work in new ways and cut costs at the same time. We are leveraging this experience to help us identify the types of technologies, workspaces, and structures needed as we move forward. Remarkably, our employees adapted and excelled in this new environment.



**GALLUP EXCEPTIONAL  
WORKPLACE AWARD**

For the second year in a row, AEP was recognized for its culture journey with the annual Gallup Exceptional Workplace Award in 2021.

As we reshape our future of work and workplaces, our culture is fundamental to our continued success. Cultural excellence is as important to us as operational excellence. Investing in our future includes investing in our employees and providing opportunities for growth. I am very proud that, in 2021, AEP was recognized with Gallup's Exceptional Workplace Award for the second consecutive year. Every employee at AEP contributed to our success.

When we began our journey nearly 10 years ago, our culture did not reflect who we are today or the vision we had for the future. Our culture scored in the 12th percentile at that time. Today, we are in the 91st percentile relative to Gallup's overall company database – achieving our goal to attain top decile performance three years ahead of schedule. The Gallup award affirms the strength of our culture and forms a strong foundation on which to build our best workplace for the future, wherever the work is being done.

## Supporting Our Customers and Communities

Nearly a quarter of the way into our second century of service, our commitment to our customers and communities is as strong as ever. Today, customer expectations fuel our clean energy transition. From adoption of electric vehicles and electrification of fleet vehicles, to grid resilience and projects that support the U.S. military's national security mission, we deliver innovative, sustainable energy solutions.

The pandemic brought hardships to our customers, who lost jobs, homes and businesses, and loved ones. We immediately got to work identifying ways to help our customers weather this new type of storm. We temporarily suspended customer disconnects for nonpayment, provided flexible payment arrangements – including for commercial and industrial customers for the first time - waived nearly \$6 million in late fees for residential customers, and waived credit card processing fees. In addition, we created a customer service team dedicated to helping small business owners apply for government assistance. That team has helped more than 2,300 small business customers apply for CARES Act funding.

Our communities also suffered as businesses were shuttered, cultural venues went dark, and students were sent home. Non-profit organizations that provide vital human services needed support at a time when the community need was never greater. In response, the AEP Foundation donated nearly \$4 million in emergency funds in 2020 to help meet basic human needs across our service territory.

## Doing the Right Thing

At AEP, we hold ourselves to a high standard of accountability to always act ethically and with integrity. We are guided by our Principles of Business Conduct and our political engagement and anti-corruption policies. We're often asked about our participation in the political process, including lobbying activities and political contributions. Our ability to engage in the political process is imperative to our business; we often serve as technical experts to help educate regulators, legislators, and their staffs about our business and industry. Public policy decisions also impact the cost of our service and our ability to deliver innovative, cleaner energy solutions to customers. We support candidates whose positions align with what is in the best interests of our customers, communities, employees, and other stakeholders. And we will continue to do so because we firmly believe in and support the democratic process and the ideals this nation was built upon.

We believe in transparency and we have adopted a new political engagement policy to enhance our governance in this area. Beginning with our 2020 disclosure, we updated [our policies](#) and are expanding our reporting to include contributions we make to 501(c)4 social welfare organizations.

On January 6, 2021, the political divisiveness in this country culminated with the violent attack on the U.S. Capitol. People were hurt; some lost their lives. I believe in the right to peaceful demonstration and expressing different views, but – like many Americans – I condemn the violence that occurred that day.

Following those events, we paused all political donations for three months. This gave us time to review our criteria for making corporate contributions to candidates and political organizations in the future and determine if there are steps we can take to encourage constructive political dialogue. Our employee-led Political Action Committee leadership teams also used this time to review their guidelines.

We will continue to actively engage in the political process and advocate for our employees, customers and issues that affect our business. In doing so, we will strive to support policy makers on both sides of the aisle who are committed to collaboratively seeking solutions to the serious issues facing our country.

## Strong Governance

Our ability to execute our Future Forward clean energy strategy is strengthened by the diversity of experiences, ideas and expertise of our Board of Directors.

In 2020, Daryl Roberts, senior vice president and chief operations and engineering officer of DuPont de Nemours, Inc., was appointed to AEP's Board. Daryl brings extensive experience in global manufacturing, health and safety, operations, regulatory and engineering.

In 2021, the long-time service of two Board members came to an end. Ralph Crosby served AEP since 2006 and brought significant senior management and operations experience from his career in the highly regulated aerospace and defense industries. His deep knowledge of strategic planning, regulatory, legislative and public policy matters were invaluable to AEP. Richard Notebaert, a former chief executive officer in the telecommunications industry, served AEP since 2011. Dick brought experience and valuable insights in the areas of operations, technology, regulatory and public policy matters, as well as risk management, corporate governance and labor relations.

I will miss their leadership and their many contributions to AEP's clean energy transition. Most importantly, they have been friends to AEP and to myself, and we are deeply grateful for their years of service to our company.

## Powering Forward To a Brighter Future

At AEP, our most important job is to deliver safe, reliable, resilient, and affordable electric service to our customers. It is what our customers expect and it is our purpose. The social importance of this took on new significance as electricity became a lifeline for staying connected in a world that was shut down. It also brought into sharp focus the inequities that exist in society today. I am very proud of our employees who never wavered in their commitment to serving our customers, regardless of the conditions around us.

Despite the challenges of the past year, AEP's mission to positively impact the lives of our customers and communities prevailed. We set new carbon emission reduction goals, committed to electrify our fleet vehicles and partnered with peer utilities to build an electric highway in the Midwest and South. We continued to advance our clean energy strategy, gaining approval to acquire the North Central Wind projects to serve customers in Oklahoma, Louisiana and Arkansas. And in April 2021, the first of three wind farms began commercial operation, delivering clean energy to our customers. We also are leveraging our fiber optic network to help expand broadband to underserved and rural areas, creating new pathways to prosperity.



In April 2021, the first of three North Central Energy wind farms began commercial operation.

We learned many lessons from the pandemic and the social and racial inequities it exposed. We are taking a stand on these issues, and are investing in programs to support social and racial justice. We start by delivering on our promise of clean, reliable, and affordable electricity. And we will continue to serve by helping our communities recover and thrive.

This is my tenth year as CEO at AEP. We have come a long way and achieved a great deal in the past decade, but the journey is far from over. We have a unique opportunity to do a lot of social good as the economy electrifies and our energy becomes cleaner. I want AEP to serve as a beacon of hope, demonstrating that we can bridge the social and racial divide in this country if we do it together. We believe that clean, reliable energy is the conduit to a prosperous, equitable and just future.

Thank you,

Nicholas K. Akins  
Chairman, President & Chief Executive Officer  
American Electric Power

## AEP'S STRATEGY FOR THE FUTURE

The strength, resilience and agility of our employees and company met and exceeded the unprecedented challenges of 2020. The critical nature of our jobs and the service we provide became a lifeline for many during the COVID-19 pandemic and extreme weather events. Our workforce remained committed to keeping our economies and communities connected as efficiently and safely as possible, all while remaining dedicated to continued operational excellence and financial discipline. This was demonstrated in our ability to deliver consistent, quality earnings and dividend growth in 2020.

### AEP's Strategic Vision and Execution

EXECUTE STRATEGY	TOP PRIORITIES
Promote clean energy transformation	<ul style="list-style-type: none"> <li>Invest in regulated and contracted renewables</li> <li>Optimize the generation fleet</li> </ul>
Enable growth and prosperity for our communities	<ul style="list-style-type: none"> <li>Grow top line revenue</li> <li>Champion economic development</li> <li>Be good neighbors</li> </ul>
Innovate for the benefit of our customers	<ul style="list-style-type: none"> <li>Improve customer experience through use of technology and business innovation</li> <li>Modernize regulatory mechanisms to support customer expectations</li> </ul>
Build a modern, secure and resilient grid	<ul style="list-style-type: none"> <li>Deploy technologies that enhance grid safety, security and value</li> <li>Invest in leveraging energy infrastructure</li> </ul>
Drive operational excellence	<ul style="list-style-type: none"> <li>Achieve Zero Harm</li> <li>Drive relentless O&amp;M optimization</li> <li>Implement automation, digitization and process improvements</li> <li>Be a great place to work</li> </ul>

Our Achieving Excellence program, a disciplined cost optimization process, is successfully driving down costs by eliminating inefficiencies, improving business practices and advancing technology. This effort, coupled with business decisions prompted by COVID-19, resulted in significant O&M savings in 2020. We also found new opportunities to explore how and where we perform our work. Learn more in the [Future of Work section](#).



Additionally, our strong 2020 earnings performance was driven by our long-term strategy to invest in infrastructure and energy solutions which enhances services and reliability for our customers while supporting the transition to a clean energy future. Our operating earnings guidance range for 2021 is \$4.55 to \$4.75 per share. Our 5% to 7% long-term operating earnings growth rate is based on the 2021 guidance range.

In 2021, we announced a strategic review, to be completed during the year, for the potential sale of Kentucky Power. This reflects our ongoing evaluation of our portfolio of businesses. In the meantime, Kentucky Power will continue to produce and deliver safe, reliable electricity to our customers throughout this process.

We remain committed to our credit quality to support our ability to continue to efficiently invest in capital, reaffirming our \$37 billion five-year capital investment plan. This will enable us to cost-effectively replace aging infrastructure while integrating smart technology and expanding electrification, such as electric vehicles, indoor agriculture and other future needs.

Grid investments are essential to serving evolving societal needs while building a resilient and secure system. This includes investing in infrastructure to support our growing telecommunication needs. Over the past five years, we've expanded and modernized our telecommunications system to support our growth. We now have one of the largest private telecommunication networks in the United States. We are exploring opportunities to leverage our system to support broadband expansion in rural and underserved areas. Investments in these rural areas proved critical in supporting our customers and local communities during the COVID-19 pandemic when a large portion of our nation switched to remote work and education. Learn more about our broadband initiatives in the [Regulatory section](#).

As our business needs continue to evolve, so do the security risks. This requires constant monitoring and protection from potential cyber and physical threats. Our cyber and physical security strategy includes proactive threat intelligence, monitoring, alerting and emergency response; employee education; forensic analysis; disaster recovery; and criminal activity reporting. Learn more about how we are protecting the electric power system in the [Cyber & Physical Security section](#).

Balancing culture, employee and customer experience, and flexibility with cost savings is imperative to successfully executing our strategy. The safety, health and well-being of our workforce remains a top priority as we define our path forward. We will continue to play an active role in addressing significant issues from racial, social and environmental justice to COVID-related safety as we help build strong communities.

## Advancing a Clean Energy Transformation

The security and reliability of the electric power system protects our nation's interests, and, increasingly, so does a cleaner energy future. Achieving America's clean energy objectives requires a transformation of the electric sector. Our smart investments in clean energy today — including renewables and advanced technologies — aim to stabilize energy costs and stimulate economic growth in the future.

Our Future Forward strategy for clean energy growth will transform our generating capacity portfolio from a majority coal-fueled resource base to a majority renewable portfolio by 2030. We continuously review our resource needs for each of our regulated operating companies. We are proposing to add nearly 16,600 megawatts of new, clean wind and solar generation to our fleet by 2030. This will grow our renewable generating portfolio to 51% of our total capacity.

Regulatory support for AEP's largest renewable project to date — North Central Wind Energy Facilities (NCWEF) — adds momentum to our clean energy transformation. In April 2021, the first of three NCWEF wind farms began commercial operation, which in total will deliver 1,485 MW of clean energy to customers of Southwestern Electric Power

### AEP Earnings & Dividend Data \$/per share

	2016*	2017	2018	2019	2020
Earnings Per Share (GAAP)	\$1.24	\$3.89	\$3.90	\$3.89	\$4.44
Operating Earnings Per Share	\$3.94	\$3.68	\$3.95	\$4.24	\$4.44
Cash Dividends Per Common Share	\$2.27	\$2.39	\$2.53	\$2.71	\$2.84

\* The difference between year-end 2016 GAAP and Operating Earnings was primarily due to the impairment of certain merchant generation assets.

Company and Public Service Company of Oklahoma in Arkansas, Louisiana and Oklahoma.

We are positioned to be an industry leader in the regulated clean energy space. This is reflected in our capital investment plans with the bulk earmarked for regulated businesses and renewables. This includes \$26.7 billion for transmission and distribution modernization projects and technologies to better serve customers through improved reliability and resilience. During this same period, we plan to invest \$2.8 billion in regulated renewable generation and \$2.1 billion in competitive, contracted renewable projects.

This strategy is led by our new Grid Solutions team, which is focused on accelerating our energy transformation and advancing the grid of the future. The team identifies and implements the best infrastructure solutions that seamlessly integrate the regulated generation, transmission and distribution businesses. This includes acquisition and development of new grid resources, competitive transmission ventures, energy storage and other emerging on-grid technologies.

At the core of our transformation must be reliability, resilience and affordability of the electric power system. Unprecedented cold weather, snow and ice in early 2021 stretching from Texas to West Virginia demonstrated the critical nature of our nation's energy supply. Extreme weather impacts every source of energy, from natural gas units to wind turbines. These events, along with others across the country, demonstrate the need for policy changes that focus on refining the reliability and resiliency of the grid to promote adequate energy capacity levels and regional support. We will continue to engage in the policymaking process at the federal, state and local levels to ensure the best interests and needs of our customers and communities are met, as we grow and transition to a clean energy future.

## Reducing Carbon Emissions

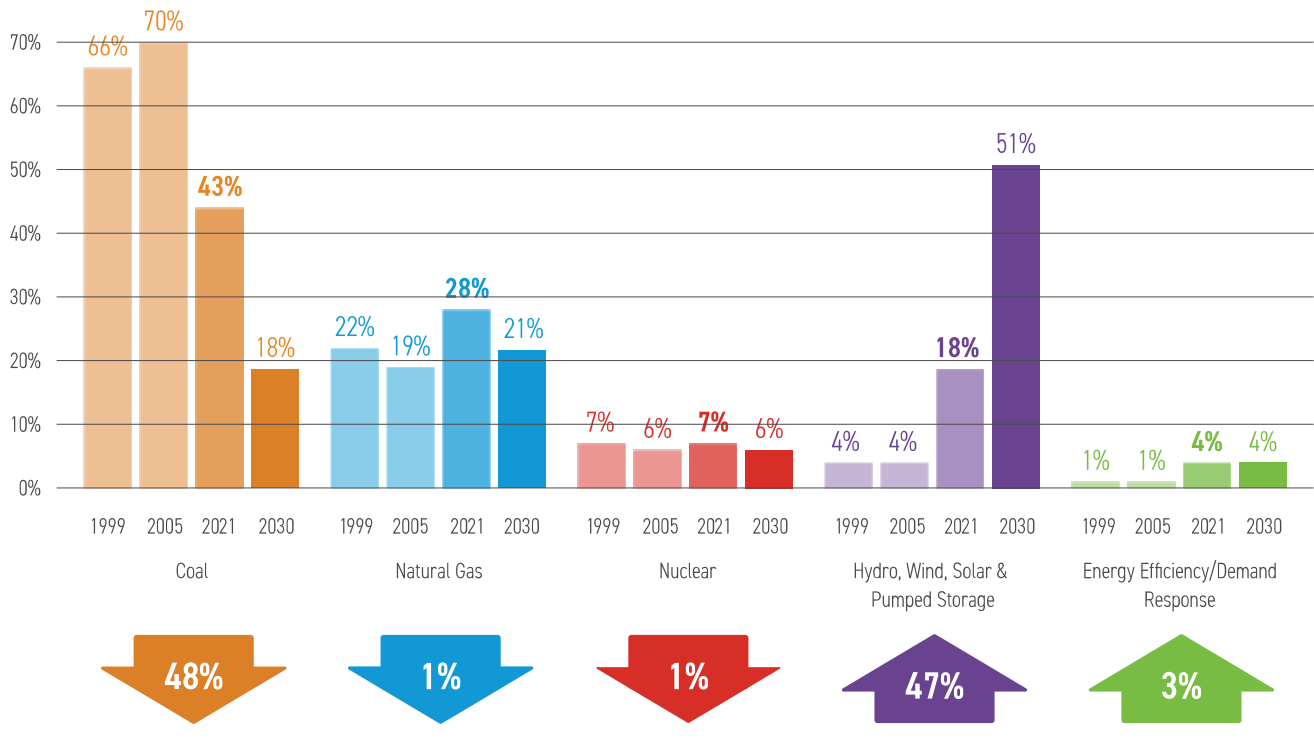
We have made significant progress reducing our carbon footprint, year after year. Through 2020, we reduced our carbon emissions by 74% (from a 2000 baseline). This achievement puts us a decade ahead of our original goal to reduce carbon emissions by 70% by 2030. In February 2021, we announced a new goal to reduce our carbon footprint by 80% by 2030 (from a 2000 baseline) and achieve net-zero by 2050. These new goals include a commitment to review them annually.

Since 2010, we have retired, sold or converted to natural gas nearly 13,500 MW of coal-fueled generation. We have plans to reduce our coal capacity by an additional 5,574 MW from 2021 through 2030. By the close of this decade, we will reduce our coal generating capacity by approximately 74% — a major achievement by any measure.

The transformation of our generation portfolio includes ongoing evaluation of our power plants. In 2021, Indiana Michigan Power and AEP Generating Company reached an agreement to acquire the 1,310-megawatt Rockport Plant Unit 2 from the current owners when the lease expires at the end of 2022. This acquisition will provide a short-term capacity bridge for customers as we transition to more renewable generation and will ensure both Rockport Plant units are retired by the end of 2028. These investments in our generation portfolio support our goals of making our generation fleet cleaner, more economical and achieving net zero carbon dioxide emissions by 2050.

Our transformation also includes investments in the development of integrated grid solutions such as advanced energy storage with solar, electrification and research into modular nuclear and the future use of hydrogen. Learn more about the role of technology in our journey to a clean energy future in the Technology section of [AEP's Climate Impact Analysis Report](#).

## Transforming Our Generation Fleet – AEP’s Generating Resource Portfolio (capacity)



2021 data as of 4/22/21. 2030 includes forecasted additions and retirements. Energy Efficiency/Demand Response represents avoided capacity rather than physical assets.

## REGULATORY AND PUBLIC POLICY

The energy industry is one of the most highly regulated sectors of the U.S. economy and is in the midst of a technology and innovation revolution driven by the transition to a clean energy future. Advances in technology are creating opportunities for AEP to integrate and modernize the grid – making it smarter, more reliable and more resilient. A smarter grid empowers our customers to actively engage in their energy experience – giving them more choice and control over how and when they use energy.

To meet customers’ evolving expectations, we sometimes must seek to reshape the regulatory compact. AEP’s regulated footprint includes 11 states with varying regulatory frameworks that are primarily governed by state legislatures that set policy goals, which result in regulations created by state regulatory commissions. These state legislative and regulatory environments work in conjunction with federal policies to define the parameters of AEP’s business and planning models. They also affect a utility’s business decisions related to making investments and influence how the utility is able to recover the costs of its investments.

Our priority is to maintain and operate a safe, affordable and reliable electric power system that is resilient and adaptive. Our generation, transmission and distribution system investments directly affect our customers and shareholders. These investments must coexist with regulation and policy considerations, such as environmental requirements and affordability. As generation becomes more decentralized and the company adopts more renewable and distributed energy resources, regulations must also evolve to meet the demands of today’s emergent technologies and customer preferences. In managing the transition, it is essential to ensure the reliability of the system while managing the



Broadband technology improves growth opportunities for rural communities by enhancing such things as work-from-home, telemedicine, and educational and workforce-training capabilities.

As generation becomes more decentralized and the company adopts more renewable and distributed energy resources, regulations must also evolve to meet the demands of today’s emergent technologies and customer preferences. In managing the transition, it is essential to ensure the reliability of the system while managing the

financial risk for our shareholders.

One approach includes identifying flexible or alternative ratemaking models that allow AEP to accelerate our transition to cleaner energy sources while balancing the impacts to both customers and shareholders. Alternative ratemaking models help balance different objectives to provide incentives for cost savings and reinforce investments that provide value to customers while supporting policy objectives. These alternative models can give utilities the ability to explore new and evolving technology solutions as they determine what delivers the best value for our customers today and in the future. It also provides payment options and flexibility for customers. This is especially important for disadvantaged customers who are most sensitive to fluctuations in their utility bills, as evidenced during the global pandemic.

We continue to cultivate relationships with regulators, private and public organizations and other stakeholders to meet customer demand for new, innovative solutions. We leverage our expertise and experience to inform regulators and key stakeholders about emerging technologies and associated issues.

## **Navigating the Regulatory Impacts of COVID-19**

Early in the pandemic, AEP's regulated utilities acted quickly, in recognition that electricity is essential to people's health, safety and comfort. We temporarily suspended all service disconnections for non-payment for months (otherwise known as disconnection moratoria). This ensured customers had access to electricity at a time when they were navigating remote work and learning. We also proactively reached out to customers with payment options to help them avoid falling behind, and we helped them enroll in federal, state or local energy assistance programs. This included our commercial, industrial and residential customers. In spite of these efforts, the lingering pandemic continues to negatively affect some of our customers.

We continue to work with our regulators and customers on setting up payment arrangements to reduce the financial burden for them and financial risk for our company. Federal financial support such as CARES Act funding is offered in some states to help customers pay their bills.

AEP's geographic footprint, where many of the customers we serve are located in rural or underserved areas, presented unique challenges during the pandemic. COVID-19 and the switch to remote work and education reinforced the importance of reliable electricity. The pandemic brought the digital divide to the forefront, exposing the need for broadband to support virtual work and school. Broadband also provides important access to healthcare, jobs and other social services. We have a strategy to begin addressing this inequity using our infrastructure to help make it happen.

## **Broadband**

Broadband technology has proven to be critical to the economic development and well-being of rural America and other underserved areas. Access to the internet and other communication services were a lifeline for many during the COVID-19 pandemic. As local businesses, schools and economies shut down, many were able to continue working and learning remotely. Our service territory includes many unserved or underserved areas. Prior to the pandemic, we began exploring opportunities to leverage our system to support broadband expansion in these areas. Broadband technology improves growth opportunities for rural communities by enhancing such things as work-from-home, telemedicine and educational and workforce-training capabilities. Additionally, broadband technology improves a community's ability to attract and retain large-scale business investments, including data centers and hospitals which create jobs. It also provides a robust communication platform for a modern electric grid.

We are exploring new options for the dual use of fiber for grid modernization and enabling Internet Service Providers (ISPs) to make the final connection to areas that lack broadband coverage. We are advocating for legislation in many of our states that would specifically authorize us to invest in "middle mile" fiber infrastructure that we could then lease to ISPs for the purpose of their broadband service expansion.

## **Broadband Initiatives by State**

- **Ohio:** Ohio Broadband Middle Mile Deployment promotes rural middle-mile broadband investment through the establishment of a broadband expansion program. We are advocating for grant funds for utility middle mile that supports the new high-speed internet services in unserved regions of the state while also connecting grid facilities. Pending legislation, we are proposing numerous middle mile projects including a project with the Office of Appalachia within the Ohio Governor’s Office, which supports Athens, Hocking and Perry counties. This would also help open the door to a larger broadband deployment effort associated with AEP Ohio’s grid modernization proposal filed with the Public Utility Commission of Ohio.
- **Virginia:** Appalachian Power’s inaugural broadband project in Grayson County received approval from the Virginia State Corporation Commission in March 2020. After replacing utility poles with larger, stronger poles where needed, contractors installed the first fiber in December 2020. After the fiber optic lines are installed, an internet service provider will offer the “last mile” connectivity to unserved customers. Construction is scheduled to be completed within 18 to 24 months. We are evaluating the potential for a second project in Bland, Montgomery and Pulaski counties. This three-county initiative would reach roughly 15,000 unserved broadband customers.
- **West Virginia:** Appalachian Power, along with Wheeling Power, submitted an application to the Public Service Commission of West Virginia for approval of a broadband infrastructure expansion project that will facilitate access in unserved areas of Logan and Mingo counties. Appalachian Power is requesting approval of the project plan and cost recovery for the estimated \$61.3 million investment, which includes installing 430 miles of middle-mile fiber optic cable infrastructure needed to expand high-speed broadband access. The project plan calls for an internet service provider to own, install and operate the last-mile infrastructure needed to deliver broadband services to customers in the project area.



## Other Noteworthy Legislative Activity

- **Indiana – 21st Century Energy Policy Development Task Force:** A task force of legislators and governor-appointed experts was created in 2019 to examine the reliability, resiliency and stability of the grid as energy companies continue to transition generation options and use of emerging technologies. In November 2020, the Task Force released its findings recommending a resource adequacy reporting mechanism by Indiana energy companies, which was enacted into law in 2021 via HEA 1520. Subsequent legislation was also signed into law (in the form of HEA 1220) to extend the 21st Century Energy Policy Development Task Force to further the study.
- **Virginia Clean Economy Act (SB851/HB1526):** Passed by the General Assembly in 2020, the Virginia Clean Economy Act (VCEA) seeks to end carbon dioxide emissions from the utility industry in Virginia by 2050. In November 2020, Appalachian Power filed its first annual plan detailing how it will meet key targets on its way to becoming 100% carbon-free by 2050. The company intends to meet the VCEA targets primarily through future investments in solar, wind, energy storage, and energy efficiency measures. Short-term plans are to acquire or contract 210 MW of solar resources in Virginia and 200 MW of wind in the next five years. By 2050, the company expects to add 3,400 MW of solar, 2,200 MW of on-shore wind, and 400 MW of energy storage to its current portfolio of wind and hydro resources.
- **Virginia Solar (SB966):** Passed in 2018, Virginia Senate Bill 966 requires Appalachian Power to construct or acquire 200 MW of solar resources prior to 2028. In February 2021, Appalachian Power issued an RFP for up to 300 megawatts (MWs) of solar and/or wind generation resources. The request for bids is the first in a series of RFPs Appalachian Power will issue in 2021 to comply with provisions of the Virginia Clean Economy Act (VCEA).
- **West Virginia Solar (SB583):** Appalachian Power issued a request for proposals (RFP) in June 2020 for up to 50 MW of solar energy resources as part of the provisions of Senate Bill 583. The bill allows the company to build up to 200 MW of solar generation in increments of up to 50 MW each. To be eligible, the site has to be in West Virginia and have been previously used in electric generation, industrial, manufacturing or mining operations to include brownfields, closed landfills, hazardous waste sites, former industrial sites and former mining sites.

## NERC OVERSIGHT

We have a responsibility to our customers to keep their lights on 24/7. The growing reality of cyber and physical threats to our industry's infrastructure is raising concerns with regulators and customers alike. As a result, the Federal Energy Regulatory Commission (FERC) is driving the North American Electric Reliability Corporation (NERC) to develop unparalleled regulations for our industry. These regulations protect the grid and keep it safe, reliable and secure. Our challenge is that the regulations are constantly evolving and new rules are being developed. NERC's Critical Infrastructure Protection (CIP) Standards reflect the increased focus on protecting the grid from cyber threats.

Today, there are nearly 900 continually evolving requirements in effect within the NERC Standards. We must meet each of these requirements to remain in full compliance and avoid harsh financial penalties. To manage the risk of non-compliance, we are increasing the number and sophistication of proactive controls as one of several methods we are developing to track, manage and prioritize the ever-growing list of NERC obligations. Due to the increased number and complexity of the NERC Standards, along with our significant geographic footprint, we are continually in the process of completing or preparing for compliance audits. We must maintain a constant state of audit readiness across AEP. One of the ways we prepare is to maintain a strong focus on outreach efforts to internal and external stakeholders. Focusing on these cross-functional relationships allows for a comprehensive evaluation and understanding of requirements to the NERC Standards across the AEP enterprise.



AEP's NERC compliance governance structure and efforts help protect the grid to keep it safe, reliable and secure.

Our NERC compliance governance structure was developed specifically to respond to the current compliance environment and provides the direction, agility and organizational support needed to implement an industry-leading NERC compliance program. This governance structure, in addition to collaboration with regulators and industry leaders, has resulted in the implementation of a strategic plan for achieving operational excellence in NERC compliance. In addition, our strong safety culture provides a solid foundation for ensuring that compliance is one of the essential elements of the program's strategic plan. Every employee at AEP has a role in delivering reliable, safe, secure electricity to all of our customers, and compliance plays a critical role in achieving this goal.

Our establishment of the NERC Compliance Strategy and an updated Governance structure helped lay the foundation for a successful CIP audit with ReliabilityFirst (RF) and Midwest Reliability Organization (MRO). In our first ever virtual audit, the regulators provided positive feedback on several aspects of AEP's program, including a statement that our Control Framework is "an excellent overall program for identifying and documenting internal controls."

## SUSTAINABILITY & ESG STRATEGY

Sustainability strategy and environmental, social and governance (ESG) disclosure are growing at an exponential pace, as the view of a company's non-financial performance has become as important as its financial health. From the cost of capital, credit scores and insurance rates to how shareholders vote, stakeholders demand engagement, transparency and investment-grade ESG disclosure. Without question, the public health crisis and racial, social and civil unrest raised the stature of the "S" in ESG, prompting an expanded and more granular focus on how we manage AEP's ESG performance, disclosure and governance.

The prominence of material sustainability issues in 2020



created an ESG trifecta: climate change strategy, risks and management; human capital management, including diversity, equity and inclusion; and the resilience and management of a company's strategy and business model. Awareness of how ESG impacts the full value-chain helps to strengthen and inform business decisions and strategies. ESG-informed decisions will be critical inputs as we reimagine a modern, clean and reliable energy future for our customers; as we rebuild dynamic and thriving economies; and as we develop a flexible, diverse and inclusive workforce for the future.

Research has proven that companies with strong ESG performance realize short- and long-term value through enhanced growth, reduced costs, improved stakeholder relationships, increased employee satisfaction, and optimization of investment and capital expenditures. At AEP, we are integrating our sustainability practices and ESG initiatives into our corporate strategies and sharing our progress and goals with all of our stakeholders.

## How We Manage ESG for AEP

- Maintain ongoing monitoring of ESG material issues
- Engage third-party research organizations to ensure use of accurate and timely data
- Tell our story by engaging our stakeholders
- Be transparent about AEP's ESG performance
- Integrate ESG into AEP's strategy and risk monitoring
- Position AEP as an industry and ESG/sustainability leader

## ESG MATERIALITY

The evolution of corporate sustainability reporting and ESG disclosure has become more detailed and complex as stakeholders demand deeper levels of transparency. We live in a hyper-transparent and data-driven world – where ESG was once seen as qualitative by nature but is now becoming measurable – that drives demand for companies to enhance the quality, comparability and usefulness of their ESG disclosure.

Materiality matters when disclosing performance. We cannot address every issue, nor should we. To most effectively manage our resources and focus on the material issues to our business and our stakeholders, we must focus on what is most relevant to our financial and nonfinancial success. That is what our stakeholders expect of us and how we are best able to respond to their needs and concerns. AEP defines material issues as those that reflect our most relevant environmental, social and governance impacts and contributions because they can:

1. Have a significant impact on the company's finances and/or operations;
2. Have or may have a significant impact on the environment or society now or in the future; and/or
3. Substantially influence the assessments, decisions and actions of our stakeholders.

To identify material and emerging issues, in 2020 we conducted a materiality analysis using Datamaran, a cloud-based software platform that enables a comprehensive and data-driven process for monitoring external risks. The analysis monitors ESG issues in real-time, using analytics that give us insights into strategic, regulatory and reputational risks and opportunities that could impact AEP. This helps strengthen our understanding of ESG, geopolitical, technology and emerging issues, ensuring alignment with different internal and external stakeholder expectations while enhancing our in-house capabilities to monitor progress.

This effort provides critical input to the development of our corporate strategy, risk management, and disclosure and engagement, as well as meets growing stakeholder expectations. This is especially important as new issues, such as COVID-19 and social justice, continue to emerge, highlighting the rapid pace of the changing ESG landscape.

Purpose and value of a materiality assessment:

- Identify ESG/sustainability trends and future risks
- Target and improve disclosure and engagement
- Reduce risk and exposure
- Ensure consistency across risk management, Board oversight and annual reporting

Our integrated reporting is one way we demonstrate the connections between financial and nonfinancial performance, as well as our commitment to transparency. AEP has been reporting in this way for more than a decade. In addition, we

participated in an industrywide priority issue assessment, led by the Electric Power Research Institute (EPRI). This is the third such assessment at the industry level. EPRI's deep understanding of the utility industry coupled with the vast research through their Priority Assessment complements our ESG materiality assessment by providing us with broader perspectives and insights.

## AEP's Strategic Vision and Execution

TOP 10 MATERIAL ESG ISSUES	EXECUTE STRATEGY	TOP PRIORITIES
Clean Energy Transition Electrification	Promote clean energy transformation	<ul style="list-style-type: none"> <li>Invest in regulated and contracted renewables</li> <li>Optimize the generation fleet</li> </ul>
Public Safety D&I, Equity Electrification	Enable growth and prosperity for our communities	<ul style="list-style-type: none"> <li>Grow top line revenue</li> <li>Champion economic development</li> <li>Be good neighbors</li> </ul>
Customer Experience Data Privacy	Innovate for the benefit of our customers	<ul style="list-style-type: none"> <li>Improve customer experience through use of technology and business innovation</li> <li>Modernize regulatory mechanisms to support customer expectations</li> </ul>
Reliability & Resilience Cyber/Physical Security	Build a modern, secure and resilient grid	<ul style="list-style-type: none"> <li>Deploy technologies that enhance grid safety, security and value</li> <li>Invest in leveraging energy infrastructure</li> </ul>
Safety & Health D&I, Equity Ethics & Compliance	Drive operational excellence	<ul style="list-style-type: none"> <li>Achieve Zero Harm</li> <li>Drive relentless O&amp;M optimization</li> <li>Implement automation, digitization and process improvements</li> <li>Be a great place to work</li> </ul>

## SUSTAINABILITY/ESG GOVERNANCE

When stakeholders evaluate a company, one of the first things they look at is the strength of corporate governance. How and where sustainability fits into the corporate structure can reveal a company's priorities. At AEP, we have strong governance to support sustainability and ESG performance, ensuring alignment with corporate purpose and strategy. Our approach to transparency links tangibles (such as financial capital and physical assets) with intangibles (such as reputation, brand, customer loyalty, risk management, trust and credibility) to show bottom line results and benefits.

There is no one-size-fits-all approach to sustainability governance, but we believe it is fundamental to building and strengthening sustained business value. Strong governance ensures transparency, fairness and accountability, and it gives us a structured way to manage the challenges of a changing society. We are committed to strong governance practices that protect the long-term interests of our shareholders.

Our Board of Directors works closely with our executive team to ensure we continually meet or exceed the highest standards of performance, innovation, ethics and service. In addition, the Board receives educational presentations from outside experts and board members attend educational sessions.

Through our Enterprise Sustainability Council (ESC) – with oversight from executive management and the Committee on Directors and Corporate Governance of the Board of Directors – we have clear guidance on our ESG responsibilities for sustainable business development. ESC members, who represent all aspects of our business, serve as strategic ambassadors, providing guidance and support to ensure the success of our sustainable development strategy. They do this by enabling integration of sustainability across the enterprise and in corporate strategy.

The fast-paced growth of ESG investing prompted an expanded and more granular focus on how we manage our ESG performance and disclosure. We have a dedicated cross-functional ESG Team that meets monthly to monitor new and emerging ESG issues and develop strategies for responding to them. Because ESG performance is also a business risk, we added it to our risk summary report and are integrating it with our corporate strategy.

In addition to the ESC and ESG Team, the Committee on Directors and Corporate Governance of the Board of Directors reviews the Corporate Accountability Report annually and monitors our ESG performance. The Committee provides feedback and develops the Board Statement supporting our commitment to sustainable business development and performance accountability. In addition, since 2010, AEP's internal Audit Services team has conducted a limited review of selected company performance statements. The combined internal audit and governance from the Board of Directors, executive management and the ESC helps us ensure our disclosure undergoes a disciplined review and validation

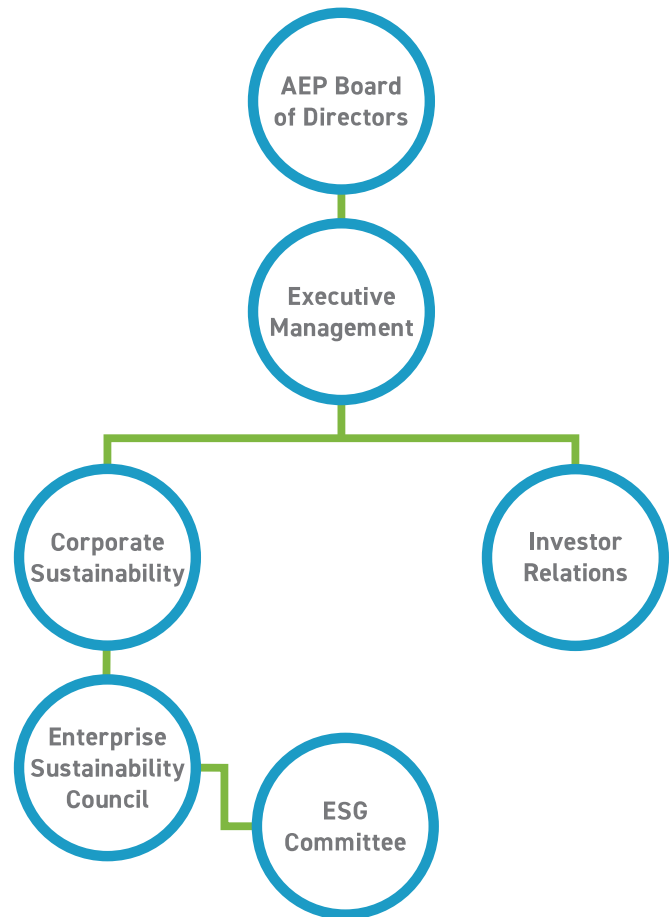


process.

While these issues are discussed by the Board of Directors throughout the year, we report to the Committee on Directors and Corporate Governance on our sustainability-related activities at least twice per year. In addition, the Lead Director of AEP's Board of Directors conducts annual outreach with our largest shareholders to engage with investors on important ESG matters. The Chairman of the Board also engages throughout the year with investors and other stakeholders.

[Learn more about AEP's Corporate Governance](#) as well as Climate Governance in our [Climate Impact Analysis Report](#).

## AEP's ESG Sustainability Governance Structure



## STAKEHOLDER ENGAGEMENT

Listening to and engaging with customers, employees, investors, NGOs, communities, policymakers and other stakeholders is a priority for us. It allows us to hear perspectives we might not have considered, mitigate risks, identify opportunities for collaboration, build stronger relationships, and arrive at consensus or shared motivation for meaningful outcomes.

We engage with a variety of stakeholders on issues ranging from climate change, clean energy transition, energy efficiency, reliability and affordability, supply chain management and human capital management. New issues arose in 2020 in light of the global pandemic and racial, social and civil unrest. These issues especially focused on the environmental, social and governance (ESG) impacts, risks and management.

Climate change risk, governance and strategy and a Just Transition continue to be a main focus as we transition to a low-carbon future. We recognize that climate change remains a significant risk and opportunity for which we are preparing to ensure we can deliver the clean, safe electricity expected by our customers. We engage with different stakeholders, including Climate Action 100+, to understand their concerns and address their questions about our carbon emission reduction goals and climate scenario analysis work. Our executive management team and Lead Director are also involved in our



engagement with Climate Action 100+.

During the course of developing our Climate Impact Analysis Report, we shared our plans with Climate Action 100+ as part of our ongoing engagement. The group reviewed our outline and provided valuable feedback.

The path to a low-carbon energy future requires investments across our service territory and within our local neighborhoods. Developing and siting infrastructure, such as transmission facilities, is a complex, technical process that involves balancing disturbance to human, cultural and natural resources with a community’s need for reliable electricity. We have a team of specialists focused on transmission right-of-way acquisition, siting and community outreach dedicated to avoiding or minimizing impacts to people and the environment to the greatest extent possible.

In 2020, the Transmission Right-of-Way team logged more than 97,000 interactions with landowners and acquired nearly 3,000 easements, using condemnation on less than 1% of the acquisitions. In addition, the Project Outreach team hosted a total of 32 open houses, including eight in-person and 24 virtually. The COVID-19 pandemic led the Project Outreach team to shift from its in-person events to virtual public involvement strategies. Virtual events enabled two-way communications with landowners and key stakeholders during the pandemic. The team utilized virtual and digital public engagement tools to ensure the same project information was presented virtually as it would be with a traditional in-person open house. Open houses, whether traditional or virtual, serve as an excellent opportunity for landowners and members of the community to learn about the project need and benefits, timeline, right-of-way practices, construction process and view interactive maps.

We are committed to actively engaging with our stakeholders and appreciate two-way conversations that provide value to us and them. Below is a list of the stakeholders with whom we engage most frequently, the topics of interest and how we engage.

## AEP’s Stakeholder Engagement Efforts

Issues We Engage On	How We Engage
<b>Employees</b>	
<ul style="list-style-type: none"> <li>• COVID-19 policies, procedures, benefits</li> <li>• Diversity, equity &amp; inclusion</li> <li>• Safety &amp; health</li> <li>• Culture</li> <li>• Training and development</li> <li>• Work/life balance</li> <li>• Future of Work</li> <li>• Incentive compensation and goal setting</li> </ul>	<ul style="list-style-type: none"> <li>• Continuously educate and communicate with employees on emerging issues such as COVID-19, racism</li> <li>• Seize the Moment: Let’s Keep the Momentum Going” diversity, equity and inclusion action plan</li> <li>• Safety &amp; health and diversity stand ups</li> <li>• Employees webcasts</li> <li>• Employee Resource Groups</li> <li>• Annual employee culture survey</li> <li>• Culture action plans</li> <li>• Performance review process</li> <li>• Employee development &amp; training</li> <li>• Tuition reimbursement</li> <li>• Volunteerism/community engagement</li> <li>• Targeted development programs</li> <li>• Women’s Leadership Forum</li> </ul>
<b>Customers (Residential, Commercial &amp; Industrial)</b>	
<ul style="list-style-type: none"> <li>• Carbon emissions</li> <li>• Renewables</li> <li>• Electrification</li> <li>• Energy solutions</li> <li>• Energy management</li> <li>• Site selection/property searches</li> <li>• COVID-19</li> <li>• Fleet electric transportation</li> </ul>	<ul style="list-style-type: none"> <li>• Advisory services for energy solutions &amp; incentives</li> <li>• Property searches, screening, certification</li> <li>• Relocation and expansion support</li> <li>• EEI Customer Carbon &amp; Energy Report</li> <li>• Host webinars</li> <li>• Newsletters</li> <li>• One-on-one outreach</li> <li>• Special team to support COVID-19 needs</li> </ul>

<ul style="list-style-type: none"> <li>• Supply chain resilience</li> <li>• Customer Assistance</li> <li>• Small Business Assistance</li> <li>• Fleet</li> <li>• Public safety awareness</li> </ul>	<ul style="list-style-type: none"> <li>• Social media</li> <li>• Expanding digital channel engagement</li> <li>• Integrated Resource Plan (IRP) stakeholder process</li> </ul>
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**Investors**

<ul style="list-style-type: none"> <li>• Climate risk &amp; governance</li> <li>• Just Transition</li> <li>• Diversity, equity &amp; inclusion</li> <li>• Political engagement governance</li> <li>• Human capital management</li> <li>• Resilience</li> <li>• Cyber and physical security</li> <li>• Political engagement and lobbying activities</li> <li>• Supply chain resilience</li> <li>• Culture</li> <li>• Incentive compensation and goal setting</li> </ul>	<ul style="list-style-type: none"> <li>• AEP’s Climate Impact Analysis Report (a TCFD Report)</li> <li>• 8-12 annual ESG investor-focused frameworks and surveys</li> <li>• Annual EEI ESG/Sustainability investor report</li> <li>• Ongoing engagement with institutional investors</li> <li>• Lead Director conducts governance outreach annually</li> <li>• Ongoing engagement with ESG-focused investors</li> <li>• Climate Action 100+; average 2 meetings per year</li> <li>• ESG Data Center (140+ most material metrics)</li> <li>• Institutional investment advisor reports and direct investor input are considered in setting incentive compensation goals</li> </ul>
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**Suppliers**

<ul style="list-style-type: none"> <li>• Supply chain management</li> <li>• Environmental management</li> <li>• Human rights management</li> <li>• Supplier diversity</li> <li>• Supply chain resilience</li> <li>• Safety and health</li> </ul>	<ul style="list-style-type: none"> <li>• Developed a new Supplier Code of Conduct and Supplier FAQs</li> <li>• Respond to sustainability-related supplier surveys</li> <li>• Member of EcoVadis</li> <li>• Supplier Diversity Program</li> <li>• Supplier education</li> </ul>
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**Communities**

<ul style="list-style-type: none"> <li>• Hunger &amp; housing</li> <li>• STEM education</li> <li>• Diversity, equity &amp; inclusion</li> <li>• Public safety</li> <li>• COVID-19</li> <li>• Economic development</li> <li>• Infrastructure siting</li> <li>• Coal unit retirements</li> <li>• Just Transition</li> <li>• Energy affordability</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate giving</li> <li>• Employee volunteerism</li> <li>• COVID-19 grants</li> <li>• Economic development grants</li> <li>• Economic development training programs</li> <li>• Credits Count STEM program</li> <li>• Social &amp; Racial Justice Grant</li> <li>• Public safety education</li> <li>• Landowners, property owners</li> </ul>
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**Non-Governmental Organizations (NGOs)**

<ul style="list-style-type: none"> <li>• Clean energy transition</li> <li>• Asset retirements</li> <li>• Carbon emissions</li> <li>• Distributed energy resources</li> <li>• Renewables</li> <li>• Electrification</li> <li>• Electric transportation</li> </ul>	<ul style="list-style-type: none"> <li>• Outreach via email, phone calls, meetings</li> <li>• Regulatory proceedings (stakeholder forums tied to IRPs)</li> </ul>
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<ul style="list-style-type: none"> <li>• Energy efficiency</li> </ul>	
<b>Policymakers /Regulators</b>	
<ul style="list-style-type: none"> <li>• Clean energy transition</li> <li>• Affordable electricity</li> <li>• Reliable electricity</li> <li>• Environmental performance</li> <li>• Energy management</li> <li>• Electrification</li> <li>• Electric vehicles</li> <li>• COVID-19 customer impacts</li> <li>• North American Electric Reliability Corporation (NERC) compliance</li> <li>• Emergency response</li> <li>• Ratemaking</li> </ul>	<ul style="list-style-type: none"> <li>• Education forums</li> <li>• Political engagement</li> <li>• Regulatory proceedings</li> <li>• Trade Associations</li> <li>• IRP stakeholder forums</li> <li>• Lobbying</li> <li>• EEI State Regulatory Affairs Executive Advisory Committee</li> </ul>
<b>Third-Party Research Organizations</b>	
<ul style="list-style-type: none"> <li>• ESG</li> </ul>	<ul style="list-style-type: none"> <li>• One-on-one conversations</li> <li>• Webinars</li> <li>• Roundtables</li> <li>• ESG Ratings Working Group</li> <li>• EEI ESG/Sustainability Steering Committee</li> <li>• ESG Data Center</li> </ul>
<b>Financial Community</b> (banks, credit agencies, insurance, etc.)	
<ul style="list-style-type: none"> <li>• ESG</li> </ul>	<ul style="list-style-type: none"> <li>• One-on-one conversations</li> <li>• Participate in webinars</li> <li>• ESG Data Center</li> <li>• Credit facility linked to ESG metrics</li> </ul>

## COVID-19 – AEP'S RESPONSE, SUPPORT & RESILIENCE

### Enterprise Resilience

Like the rest of the world, the COVID-19 pandemic has had a profound impact on AEP, our employees, customers and communities. We are taking proactive and necessary measures to address the pandemic, keeping health and safety as our top priorities. We activated our emergency oversight structure and incident management teams in accordance with AEP's Infectious Disease Response Plan.

Due to the critical nature of the services we provide, we have business continuity and emergency response plans in place to address all types of emergencies, including a pandemic. This allows our Enterprise Resilience team to take immediate action when an emergency arises. Our Enterprise Resilience team led an enterprise-wide, cross-functional team using Incident Command System (ICS) principles to guide response to and recovery from risk events associated with the coronavirus, mitigating impacts to our operations.

We created a COVID-19 Task Force to closely monitor the virus and regularly educate and communicate with our employees, partners and customers about the impacts and threats it posed. We collaborated with our peer companies, government experts and public health agencies to adjust our response as the situation rapidly evolved. In addition, each

operating company and business unit established an Incident Management Team (IMT). The IMTs are headed by Incident Commanders who make decisions supported by staff with expertise in operations, communications, safety and health, HR, logistics, finance, legal and other aspects of the business. The IMTs are responsible for managing the response and planning for business impacts related to their specific operating companies and business units. We have more than 300 employees directly involved in the coronavirus response effort, and many others who are supporting the work of the IMTs. Today, portions of our COVID-19 response structure remain in place to closely monitor this virus and its potential mutations that could affect our company.

## Protecting Our Employees

We have taken significant and numerous actions to keep our employees, customers and communities safe and healthy during the pandemic. Our critical front-line employees are working in smaller teams, practicing physical distancing, wearing face coverings, monitoring themselves for symptoms, and taking other preventive measures recommended by the Centers for Disease Control and Prevention (CDC). We are educating our customers to maintain at least six feet of physical distance from our workers when they are in the field. This has been especially important as our employees responded to restore service following multiple hurricanes and storms across our service territory and beyond. Learn more about our storm restoration efforts and protection in the Safety & Health section.

The measures we have taken extend to our contractors and subcontractors. We require them to report all known positive cases of COVID-19 for those people that work at our worksites or facilities. This allows us to trace and notify those who may have been exposed to the virus and prevent the spread to others.

Employees who can work from home have been doing so since mid-March 2020. This accounts for 60% of our workforce. We continue to review our timeline for returning to the workplace based on the spread of the virus in our communities, recommendations from our company doctor, and guidance from the CDC. When we do return, it will be a gradual process that reinforces the protections already in place. Although we have not required our employees to receive a COVID-19 vaccine, it is strongly encouraged. The vaccine is fully covered for employees enrolled in the AEP medical plan, and we are offering a \$100 incentive to employees who get fully vaccinated.

We are leveraging an internal website to provide updates to our employees as the situation progresses. This includes recommendations on actions to prevent virus transmission, guidance for employees who may have contracted or come into contact with someone with COVID-19 and other information resources on topics such as the COVID-19 vaccine. Our Chairman, President and CEO, Nick Akins, communicated with employees through a series of video messages committing to ensuring employees have the proper support and resources needed during this unprecedented time.

Our COVID-19 Task Force and response is an ongoing effort to protect our employees and communities.

## Supporting Our Employees

### Protecting Our Employees



### Critical front-line Employees

working in smaller teams, social distancing, wearing face coverings, monitoring for symptoms



### Vaccine Fully Covered for Employees

enrolled in the AEP medical plan



We recognize this has been a challenging year for everyone. In many cases, employees became teachers and/or caregivers, juggling multiple roles in addition to their jobs. To give employees flexibility as they adapted, we developed a comprehensive set of pay and leave programs and support mechanisms that cover a wide range of situations, including:

- Expanded Medical Risk and Family Care Leave to include Paid Pandemic Leave, providing a sick pay “bank” for employees exposed to or impacted by COVID-19.
- Enhanced Paid Time Off for full-time employees unable to work from home, such as field employees needed to keep the lights on, or those who need time to address child or adult care challenges.
- Gave all employees accelerated access to half of their 2021 vacation hours, after exhausting their 2020 paid time off. Our goal was to protect and provide fair continuation of wages and benefits while limiting exposure risk to protect the health of employees and their families.
- Enhanced AEP’s Medical Plan and Retirement Savings 401(k) Plan for employees impacted by COVID-19. The AEP Medical Plan changes align with new federal requirements and

- provide temporary enhancements to employees and their families with flexible options, many with no cost, when seeking health care. AEP’s 401(k) changes provide hardship relief through the Coronavirus Aid, Relief and Economic Security (CARES) Act, which provides options for accessing funds from 401(k) accounts due to financial hardship related to the coronavirus
- Introduced a one-time financial incentive of \$100 per employee for those who complete a full series of COVID-19 vaccinations.
- Raised awareness about our existing Employee Assistance Program (EAP) to support employees and their families. This includes:
  - Telephonic support with a counselor for in-the-moment support or a work/life specialist who can assist in identifying resources to meet individual needs;
  - In-office or online video counseling visits to manage stress, anxiety, and other issues;
  - Ability to speak to a work/life specialist who can conduct a search for local resources for full-time, part-time and back-up child and eldercare;
  - Telephonic financial consultations with a certified financial professional who can discuss short and longer term financial concerns;
  - Legal consultations with an attorney for a no-cost consultation to discuss legal questions; and,
  - A virtual “health club for your mind” to gain access to tools to help manage stress, anxiety, depression, insomnia and more.
- Held two live “conversation with a counselor” sessions – one navigating feelings during the pandemic and another focused on parenting during the pandemic.
- Frequently communicated our EAP services specific to COVID-19 and more broadly touched on suicide awareness and resiliency.

## Supporting Our Employees

**Expanded Medical Risk & Family Care Leave** to include  
Paid Pandemic Leave



## Enhanced Paid Time Off

for full-time employees unable to work from home

Gave all employees  
accelerated access to half of their  
**2021 Vacation Hours**



## Enhanced AEP's Medical Plan & Retirement Savings 401(k) Plan

for employees impacted by COVID-19

## Equipping Our Employees with Tools & Resources

We actively focused on providing our employees with the necessary tools and resources to be productive and engaged during this time. This required us to be agile, adaptive and creative in identifying solutions that supported both our remote

employees and field personnel. We had to rethink everything from onboarding and training to implementing new ways of working while identifying technology solutions to smooth the transition to a distributed work environment.

Our agility was demonstrated when we created remote Distribution Dispatch Centers (DDC) in an effort to implement additional safety precautions. The DDC serves as the conduit between our equipment performance and maintenance and our field workers. A common and essential task performed by the DDC dispatchers includes switching. Switching is the process used to isolate equipment so that work such as maintenance, replacement or construction can be performed safely and with minimal interruption to service. Errors in switching can result in hazardous conditions for employees, damage to equipment or interruption of service to customers. To provide a safe and productive work environment for our employees with minimal to no disruption to our dispatchers and the AEP system, we installed network connections and supporting infrastructure to enable a secure and functional second DDC location. This allowed our high-risk dispatchers to work from home, giving them the tools and resources needed to continue to work effectively.



AEP Distribution Dispatcher Micah working from home. Micah and his wife were expecting their first child during the pandemic and requested he work from home to reduce exposure to COVID-19. In response, AEP set him up to successfully and safely dispatch from his home.

In early 2020, we briefly paused all in-person training offerings to identify new training priorities, safety protocols, and tools and resources to adapt the training environment to being remote. To support required and critical pre-employment training activities, we established safety protocols for in-person training and pivoted to technology-based learning.

- In-Person/Classroom Learning: We established protocols to ensure the safety and health of employees and trainers. This included smaller class sizes, adding more sessions, expanding time between sessions where trainers have to travel and staggered settings.
- Blended or Virtual Learning: We streamlined content, session sizes and delivery style to effectively convey learning topics using WebEx or other virtual tools. We are also using AR/VR as a training delivery approach. For example, employees who need to know how to use a fire extinguisher can now get the training virtually thanks to augmented reality (AR) and virtual reality (VR) technology. This is a great way to replace traditional hands-on learning in a safe and fun environment.

## Equipping Our Employees

### Regular Communication

with employees about COVID-19 updates



Provided employees with

### Virtual Tools & Resources

to work effectively at home

Converted non-critical in-person learning to

### Virtual Learning



### Leveraged Augmented Reality & Virtual Reality Technology

to replace traditional hands-on learning

Despite many challenges, our employees have shown that they are resilient, flexible and adaptable. Our ongoing focus and commitment to a culture of engagement has allowed us to successfully navigate a challenging year while continuing to deliver value to our customers, shareholders and the communities where we operate. Our strong culture foundation will serve as a catalyst to accelerate our movement forward.

## Future of Work

As COVID-19 accelerated the move to remote work, it also created new ways of looking at how and where we perform

our work. This includes everything from how we attract talent, employee development and culture, to the important role technology plays.

Our Future of Work initiative, which was underway before the pandemic began, is exploring whether work needs to be conducted onsite or if it can be effectively done remotely. The pandemic showed us that we can effectively work remotely. As we leverage this to shape the future workplace, we are classifying the different roles into remote (non-AEP location), hybrid (mixture of working at an AEP location or remote location), or onsite and field job classification. We are identifying tools, technology, training, and policies needed to support our new work classifications; redesigning workspaces to be more suitable for collaboration; and, recognizing the cultural needs of our workforce to define a path forward in an increasingly distributed way of working. We have made significant progress in developing an engaged, healthy culture and do not want to lose momentum.

We have already learned a lot about what is possible through this pandemic and we continue to learn more every day. Read more about our Future of Work effort in the [Workforce section](#).

## Supporting Our Customers & Communities

The COVID-19 pandemic has had a profound impact on our customers and communities. In response, we suspended all service disconnections for non-payment and waived credit card fees. In addition, we created a team to help small business customers apply for the Coronavirus Aid, Relief, and Economic Security (CARES) Act, through which we supported more than 2,300 companies in securing funds.

As our states started reopening and businesses and economies began to rebound, we planned for our own return to normal business operations. In many states, disconnection suspensions have or will be expiring and we are resuming disconnection of customers for nonpayment. While difficult, this is important because it prevents cost shifting to other customers who may be just as or more vulnerable.

Our ability to maintain safe, reliable power relies on customers paying their bills. We continue working with our state regulators to offer creative solutions that help customers manage their energy use as well as pay their bills. This includes providing flexible payment options to help them maintain electric service without building up large past-due balances that they would have to pay all at once. We have been communicating with customers facing disconnection using different methods, including e-mail, letters, texts, voice mail messages, social media and door hangers, encouraging them to contact us if they need help paying their bills. Previous standards for payment plan arrangements and extensions have been adjusted so more customers can get the help they need. Disconnecting customers is always our last resort, and customers who work with us on a payment plan will not be disconnected.

In addition, the American Electric Power Foundation has donated nearly \$4 million in COVID-related emergency relief funds to support basic human needs and help address the hardships faced by customers and communities. Grants have been made to nonprofit organizations across the AEP service area. We also donated personal protective equipment (PPE) to support front-line health care providers in the states we serve.

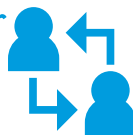
### Supporting Our Customers & Communities



Providing customer **Flexible Payment Options**



**Ongoing customer communications** and engagement through various channels



**Waived Late Fees** for residential and non-residential customers



Stood up a team to **Help Small Business Customers** apply for CARES Act funding



**Waived Credit Card** processing fees



The American Electric Power Foundation has **donated nearly \$4 million** in COVID-related emergency relief funds to support basic human needs and help address the hardships faced by customers and communities



# Supply Chain Preparedness & Resilience

The global pandemic brought to light supply chain risks and insecurities in nearly every industry. Temporary trade restrictions, manufacturing shut downs and shortages of critical supplies reinforced the importance of supply chain preparedness and resilience. We experienced minimal supply issues due to the pandemic or the many storms we experienced on our system. Foundationally, this has been due to good planning, coordination and communication between our operational groups and supply chain partners on the front lines.

Early in the pandemic, we began to see lead times for deliveries of many high volume materials start to lengthen. We took proactive measures to increase inventory levels of many critical operational items to ensure we had adequate supplies. In addition, over the past several years, our business units have made a significant effort to evaluate and purchase capitalized spare parts for major critical pieces of equipment. To minimize exposure to the virus and disruption to our operations, our Emergency Preparedness team worked with our operations and supply chain teams to adapt our major event material management practices to maintain safety.

AEP was an early adopter of an inventory management system that uses data analytics to determine minimum and maximum material inventory levels. The system uses five years of data including: historical usage rates, material criticality, material lead times, available materials that could be substituted, and where/how long it would take to transfer stored inventory within the system, to predict the best inventory levels to be maintained. Our use of this system helped us weather the pandemic with minimal disruption and impact.

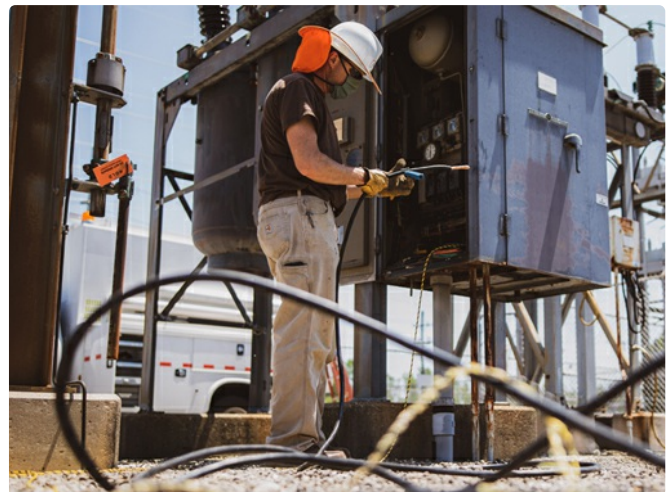
We invest billions in capital improvements to our business annually. Many of these large projects are in progress and the materials for them have already been secured. This provides an emergency source of materials if needed during the crisis. If or when we use these materials, we will replenish them to prevent interrupting project schedules. This gives our procurement activities added flexibility to meet daily business needs.

## ENTERPRISE SECURITY

Like all major infrastructure, the nation's power grid is subject to an array of threats, from naturally caused phenomena such as extreme weather to vandalism, domestic and foreign terrorism, and insider risks that jeopardize reliability, safety and data security. The stakes are high; our response to an event affects our customers, our reputation and the reliability of the power grid.

AEP continually evaluates cyber and physical security risks enterprise-wide using our risk management process, providing a comprehensive approach to understanding and managing these risks in relation to other enterprise risks. It also enables decision-making based on the level of acceptable risk, as well as our priorities and resources.

The harsh reality of the digital world is that our infrastructure is under constant threat from cyber and physical attacks. Third-party products and services create new and growing risk to the power grid, prompting new regulations to protect it. As the threats become more sophisticated and far-reaching, it is a constant challenge to achieve the right level of risk management. AEP's comprehensive security strategy – known as "Defense in Depth" – assumes a broader range of possibilities, such as physical theft, unauthorized access to data, and incidental threats that do not specifically target protected systems or assets.



AEP continually evaluates cyber and physical security risks enterprise-wide using our risk management process, providing a comprehensive approach to understanding and managing these risks in relation to other enterprise risks.

## Cyber & Physical Security

Adoption of new technologies, such as automation and digitization, opens the door to new threats and security risks to the electric power grid. New mobile apps and services that we develop or purchase for customer use, along with our own increasing reliance on cloud-based programs, increases external connectivity to our network.

The pandemic caused us to quickly transition our workforce to a remote work environment in March 2020. As a result, the number of employee users remotely connecting to our network increased tenfold. Fortunately, we had a well-designed and secure remote connectivity architecture, which easily supported the additional remote connections without introducing significant risk. Our security access program monitors and manages these connections while providing controlled access that allows us to get our work done. We consider and test possible ways attackers could breach our systems. It is not a matter of whether it will occur but when. We are identifying and implementing the right defenses to protect AEP's networks and data. Our strategy includes preparation for recovery if a breach occurs, through policies, procedures and technology, as well as through educating our workforce about the growing threat.

Cloud computing has created new opportunities for us, and as we expand and rely upon these capabilities, we must mitigate the corresponding cybersecurity risks. We have aligned closely with our Information Technology Cloud Center of Excellence to establish a proactive approach to address security risks associated with the cloud. Our Cloud Security focus group leads our efforts to establish a strategy for various forms of cloud computing consistent with the Cloud Security Alliance (CSA) framework to develop a security roadmap. This will prove helpful as the North American Electric Reliability Corporation (NERC) is considering updating the NERC CIP standards to include the use, associated risks, and controls and oversight for virtualization and cloud computing services in association with Bulk Electric System (BES) operations.

We continue to be a leader in cyber security through participating in – and leading – industry and regulator-hosted discussions. Our collaboration with the National Governors Association (NGA) allows us to improve our coordination with government in responding to natural disasters and to physical and cyber risks or attacks. We are participating in workshops for states and the National Guard due to their pivotal role in disaster response. We also partner with private sector companies and government agencies to secure the grid.

We learn from and take actions based on real-world events. Our Defense in Depth approach to cyber and physical security allows us to deal with threats in real time. These strategies include proactive threat intelligence, monitoring, alerting and emergency response; employee education; forensic analysis; disaster recovery; and criminal activity reporting. Through rapid notification and response when attacks and disasters are underway, we can reduce the impacts of cyberattacks and avoid or mitigate the damage before experiencing the full impact of the threat.

Every two years, we test our operational response to potential power grid vulnerabilities or emergencies through GridEx exercises developed by NERC. These exercises complement our annual exercises, allowing us to practice and prepare our response to national level emergency scenarios in a controlled environment. This ensures we have the proper policies and procedures in place should an event occur. Through this controlled exercise, we can see how our policies and procedures are helping us respond to various events ranging from cyber and physical attacks to loss of our situational awareness tools. NERC's next national GridEx exercise is scheduled to take place in late 2021.

New physical threats emerged in 2020 due to social and civil unrest, including threats of vandalism and domestic terrorism to AEP's facilities and substations. Several AEP-operated buildings were located near some of the demonstrations that took place in 2020. We actively monitored potential risks, coordinated with local, state and federal law enforcement and other intelligence sources, and put safety protocols in place. Our response to an event affects the safety of our employees and customers, our reputation and the reliability of the power grid.



During social and political demonstrations in 2020, local, state and federal law enforcement were called upon to protect AEP's employees and the critical assets that keep the lights on for our customers.

## Security Governance

A cyberattack against critical electric utility infrastructure could be devastating to the country's stability and economy. If successful, an attack could disable the nation's transportation, utilities, telecommunications, and financial infrastructure. This is why strong governance, oversight and regulations are vital to the strength and resilience of our bulk electric system (BES).

We have a centralized enterprise security program focused on managing security risk across the entire system. The Chief Security and Privacy Officer leads an interactive monthly CEO Security briefing, which includes the CEO and other top executives at AEP. In addition, the cyber and physical security of the BES is highly regulated by the federal government through NERC CIP Reliability Standards. We are routinely audited for compliance with federal standards in both cyber and physical security. In addition, AEP's Board of Directors and the Audit Committee review our enterprise cyber and physical security efforts.

The Chief Security and Privacy Officer is also the NERC CIP Senior Manager, which helps ensure one approach to NERC CIP compliance and compliments the enterprise security program. Our NERC compliance governance structure was developed specifically to respond to the current compliance environment and provides the direction, agility and organizational support needed to implement an industry-leading NERC compliance program. Learn more in the NERC Compliance section.

To ensure our enterprise-wide security controls are comprehensive, effective and in compliance with best practices and regulatory requirements, we have established a robust, collaborative security policy management program that aligns with the National Institute of Standards and Technology (NIST) Cybersecurity Framework. Our resulting policies and standards are jointly developed with AEP's business areas, through the Enterprise Security Advisory Council, to maximize adoption and implementation of standard controls, thereby reducing security risk to AEP.

We classify all BES facilities based on their criticality to determine the level of physical security needed. This approach allows us to design security controls for new infrastructure from the start, building the costs into capital projects as needed. It also allows us to be more proactive with new and existing infrastructure while balancing risks with mitigation solutions.

## Supply Chain Security

Third-party risk is a major challenge to power utilities as malicious actors have targeted equipment, software and service vendors with an increasing number of attacks. As we look to expand our renewable energy portfolio, additional security controls will be needed to monitor and manage the growing third-party risks to our operations.

Our Third-Party Risk Governance Committee consists of our Chief Security Officer, Chief Procurement Officer, Chief Risk Officer, Chief Information Officer and Legal Counsel. This committee reviews the performance of our third-party risk program, provides guidance and approves changes to the program and assessment processes. All primary contracts must abide by our security requirements.

In December 2020, the Secretary of Energy signed Executive Order 13920 prohibiting utilities that supply critical defense facilities from procuring certain equipment from the People's Republic of China. The order singles out specific electric equipment that poses risk to the power grid, the security or resilience of critical infrastructure, the economy, national security, or the safety and security of Americans. In response, we are identifying third-party entities that have international involvement to ensure proper controls are in place.

Following approval from the Federal Energy Regulatory Commission (FERC), NERC has expanded the CIP Reliability Standards to require utilities to develop a plan for managing cyber-related risks within their supply chain. The new standards require utilities to assess vendor security controls, verify the authenticity of the source of software downloads and integrity of that software, and establish better controls over vendor remote access to the BES.

In 2019, we joined Fortress Information Security in launching the Asset-to-Vendor Network (A2V) for Power Utilities, a joint venture to promote information sharing among electric utilities and reduce costs associated with supply chain security assessments. This network collaborates to provide results of assessments of vendor security practices with the goal of

reducing risk to the energy critical infrastructure. We actively support the growth of the program through generation of ideas for new data elements, client development and contribution of assessment data to the exchange. Additionally, A2V is in conversations with federal government partners about how to more broadly expand the positive impact of the program on the utility industry.

## Security Awareness & Training

Our most important partners in protecting AEP's cyber and physical security are our employees. Our Security Awareness program reduces risk by promoting security best practices and providing awareness education to our employees and contractors. The success of our program depends on constant communication and reinforcement. Our mission is to protect AEP's assets and information, enable the business to work securely and efficiently, and educate employees and contractors about their responsibility to keep AEP secure.

We leverage Security Ambassadors and local Champions to support our employee security awareness efforts and training:

- Training covers a wide variety of topics such as policies and standards, domestic violence, workplace aggression, personally identifiable information (PII), password protection and active shooter situations.
- All AEP employees and contractors are assigned annual Security Awareness Training, which covers issues such as tailgating into restricted areas, access management, phishing and other areas that affect day-to-day security.
- New employees receive training to educate them on their role in protecting the grid as well as information about AEP's security standards and tips to stay safe online.
- We provide NERC CIP Cyber Security Training for employees and supervisors with NERC CIP access. We also provide training on our NERC CIP Information Protection Program.

Learn more about our employee training for [workforce safety and security](#).

## Insider Threat

Threats to the grid can also come from within. In response, we established an Insider Protection and Prevention Program (IP3). To ensure best practices, we use insights and recommendations from security experts to develop a risk-based approach that continually identifies, assesses and ultimately protects our critical assets from insider threats. All employees, contractors and other business partners that have access to any critical assets, including personnel, facilities, information, equipment, networks and systems, are included. A cross-functional executive team composed of Enterprise Security, Human Resources, Business Ethics and Compliance and Legal oversees the program.

## Phishing Accountability

One of our greatest threats comes from phishing attacks on our system. Phishing is a form of attack in which malicious emails seek to obtain sensitive information such as user names, passwords, credit card details and other corporate data. Cyber criminals know that humans are the weakest link when it comes to protecting corporate data, and are continuously creating more sophisticated phishing emails to exploit this weakness. In early 2020, we adopted a new Phishing Accountability policy to educate employees on how to better identify risky emails and to hold employees accountable for doing so. We test our employees' ability to detect malicious emails with periodic phishing simulations. Employees who fail a phishing simulation receive further education and training. Continued failure to identify risky emails could also result in disciplinary action.

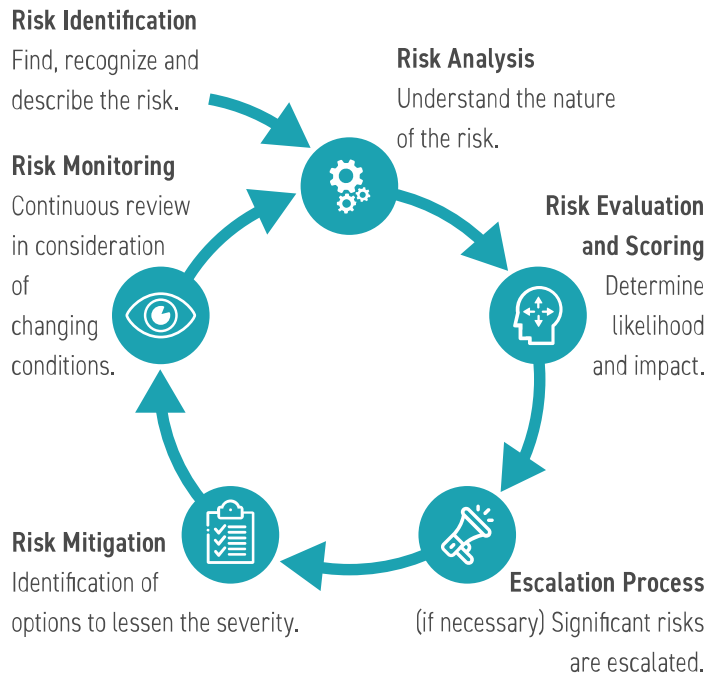
AEP faces many different risks to our business that we must manage. Fueled by major events such as the global pandemic; racial, social and political unrest; extreme weather; and security breaches, companies require dynamic and agile risk management efforts now more than ever. As we navigate the unpredictable future, we must identify the appropriate levels of risk-management while simultaneously detecting and deflecting new potential risks and weaknesses. This is imperative to keep pace with the ever-changing environment around us while adapting to the next level of normal.

Enterprise Risk Oversight (ERO) defines and oversees the consistent application of AEP's risk management process, as noted below, in conjunction with our business units and operating companies. Application of the risk management process helps us identify strategic, financial, operational and regulatory risks, assess the threats and controls, evaluate the risk, plan mitigation strategies and monitor risks for changing conditions.

Our risk management process is used to facilitate the identification of a risk and discussion on the possible consequences resulting from the event.

Risks are reported by business units or operating companies to ERO. The Chief Risk Officer reports a summary of risks to the Risk Executive Committee, which consists of senior leaders, to illustrate risk ranking and planned mitigations. This summary of risks is then discussed and reviewed by the Audit Committee of the Board of Directors.

## Risk Impact Assessment



## Enterprise Resilience

Identifying and managing risk is one part of the equation; it is equally as important to be prepared in the event a worst reasonable case occurs – such as the loss of a data center or a global pandemic. Our Enterprise Resilience team functions on a 24 x 7 x 365 day basis and is charged with sustaining the enterprise's emergency management and business continuity capabilities. Our Emergency Management Core Plan aligns with the National Incident Management System and adopts the principles of the incident command system, which government agencies across the U.S. use to respond to local emergencies and large disasters. Our emergency management framework is an integral part of how we efficiently respond to and manage events to keep critical operations functioning.

To prepare, the Enterprise Resilience team works closely with ERO to identify the drivers that could trigger an event; the controls for preventing it or reducing the frequency of it occurring; and mitigation strategies if it does occur. We try to anticipate high-impact, high-probability events to prepare for the ripple effects they could have and to limit the negative consequences. We've established business unit-based and hazard-specific plans aligned to our emergency management framework to manage the strategic response. Business unit and operating company-specific resilience plans are in place to protect our critical and non-critical processes to support continuity of operations during business disruptions.

This framework proved critical in responding to the COVID-19 pandemic, when the Enterprise Infectious Disease Response Plan was activated, guiding preparedness activities ahead of the pandemic and ensuring a comprehensive and coordinated response. Learn more in the [COVID-19 section](#).

The global pandemic is an example of a risk that could interrupt business operations. In 2020, we strengthened the existing business continuity plans that support critical and non-critical business processes. These plans were expanded to include more depth around loss of facilities, personnel and supply chain due to coronavirus impacts. This was to ensure all business functions and assets – critical and non-critical – could continue to operate during the pandemic with little to no disruption. Well-planned and executed responses can reduce the impacts to AEP and to our customers, shareholders and

communities we serve.

Our business continuity plans evaluate:

- Our business resilience plans, which include continuity and emergency response plans, serve as important training tools to prepare our workforce to respond and recover when an event occurs. During event response and recovery, real-time adjustments are made based on planning assumptions specific to the event size, complexity, and timing.
- Prioritization of critical business process recovery with consideration for special circumstances or cyclical events that may worsen the impacts of the disruption.
- Staffing considerations for critical business processes and identification of niche or highly specialized skillsets.
- Adequacy of workarounds specific to the event complexity and estimated time to recover critical business processes.

Third-party vendors, contractors/consultants, and outsourced partners are also key to our business continuity in a crisis. Business units and operating companies within AEP that own these relationships must review the external party's business resilience plans to determine whether or not they meet our criteria and to guide adjustments that may be required to our response and business recovery capabilities.

## Data Privacy & Protection

We believe that strong data security and privacy protections, using technology and internal policies and practices, are vital for effective and trusted interactions. To accomplish this, we are enhancing the protection of high-value data through improved data inventory practices, security protocols, data lifecycle management and leadership accountability. This aligns with our multi-year Personally Identifiable Information (PII) protection program that lays the foundation for this new initiative.

For several years, we have focused on minimizing the volume of PII storage repositories to better protect employee, customer and contractor PII. In 2020, we expanded our PII protection program as we transitioned more than 60% of our workforce to remote work. Working remotely opened up new vulnerabilities that required adapting enhanced data security protocols such as tightening administrative controls around installing personal printers on company devices and printing sensitive company documents.

We continue to leverage the Enterprise Data Privacy Governance Committee to update our [Privacy Policy](#), address third-party risk of sharing customer data with aligned business partners, and better coordinate data access and privacy-related activities across our multiple jurisdictions. The Committee also monitors and coordinates our response to the changing legislative and regulatory landscape regarding data access and customer privacy at the local, state and federal levels. We have a responsibility to advocate for prudent policies related to data access and customer privacy regarding collection, notice, use, misuse, disclosure, retention, destruction and loss.

AEP's Privacy Collaboration Efforts:

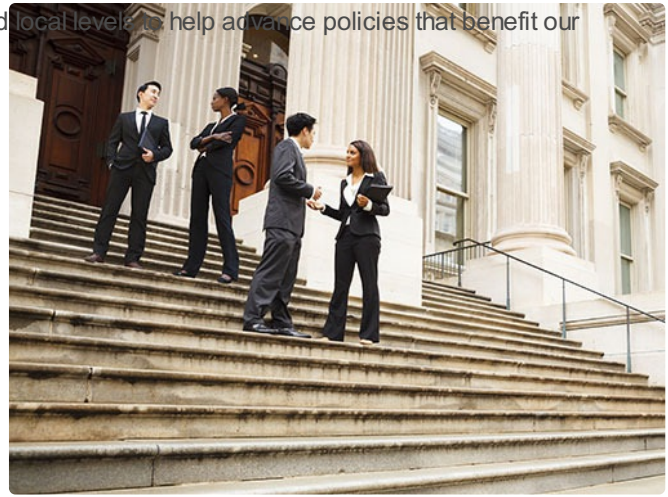
- Enterprise Data Privacy Governance Committee
- Internal stakeholder partnerships
- Privacy Champions
- Privacy Legislation and Regulatory Risk Working Group
- Enterprise Risk Register

Our [Privacy Policy](#) incorporates a clear commitment to customer privacy and data protection, includes details about the types of data we collect from our customers and website visitors, explains how customers can access the data and offers information regarding how we use customer data to provide electric power and related services. We remain committed to providing our customers with information about how customer data is collected, stored, protected, used and disclosed.

## POLITICAL ENGAGEMENT

We participate in the political process at the federal, state and local levels to help advance policies that benefit our customers, communities, employees and other stakeholders. We do this through lobbying, political engagement and contributions, and employee-driven Political Action Committees (PACs).

In 2020, we reviewed our processes, practices and policies governing political engagement. We identified opportunities to strengthen and enhance our governance, resulting in a revised [political engagement policy](#) and a new [anti-corruption policy](#). These policies reinforce expectations already reflected in our [Principles of Business Conduct](#). We have been transparent about our political contributions and lobbying activities for more than a decade. In light of growing public interest in related activities, we committed to enhanced disclosures. Beginning with contributions made in 2020, we are expanding our disclosures to include contributions of \$5,000 or greater to 501(c)(4) social welfare organizations – among those groups that are not required by federal law to disclose who their donors are.



We have been transparent about our political contributions and lobbying activities for more than a decade. In light of growing public interest in related activities, we committed to enhanced disclosures.

In addition, following the attack on the U.S. Capitol on January 6, 2021, AEP suspended corporate political contributions and Political Action Committee (PAC) contributions for three months to allow for an additional review of the criteria used in making contributions to candidates and other organizations. We intend to continue engaging in the political process in support of finding solutions to the serious issues facing our country.

Learn more about [Political Engagement and Lobbying at AEP](#)

#### AEP's Political Activity Disclosure:

- [AEP's Political Engagement Policy](#)
- [AEP's Annual Report of Corporate Political and Social Welfare Organization Contributions and Trade Association Lobbying](#)
- [AEP's Anti-Corruption Policy](#)
- [Federal Quarterly Lobbying Reports](#)

## SUPPLY CHAIN MANAGEMENT & DIVERSITY

### Supplier Code of Conduct

In September 2020, we released a new [Supplier Code of Conduct](#) reflecting expectations for suppliers to uphold our values around safety and health, environmental performance, ethics and compliance, anti-bribery, human dignity, diversity and inclusion, and security. This reinforces our expectations of suppliers when they are conducting business with AEP or on our behalf. It is also part of our commitment to transparency of our values and supply chain engagement and is supplemental to our contract Terms & Conditions.



**Supplier Code of Conduct**



**Supplier Code of Conduct FAQs**

We are sometimes asked by supply chain partners or customers to support or commit to additional pledges or Codes of Conduct related to a range of issues. Often, these requests require adherence to specific protocols that are oftentimes not suitable for AEP. We are sensitive to the complexities of supply chain management and we have policies, procedures, terms and conditions, and a Supplier Code of Conduct in place to address these issues. In addition, we must comply with supply chain-related regulations designed to protect the bulk electric power system. We strive to clearly communicate our expectations to those doing business with us, including regulatory compliance. When we have questions or concerns, we address them directly with our suppliers. We believe this is a more effective way of managing our relationship with

suppliers and builds a stronger, trusting relationship with them.

## Responsible Supply Chain Management

We are committed to proactively reporting our sustainability performance, governance and practices, including supply chain management. We joined EcoVadis; one of the most commonly used platforms by thousands of companies across the globe, to complete its annual Supply Chain Survey, which generates a company scorecard. This scorecard outlines AEP's performance in four key areas: Environment, Labor and Human Rights, Ethics, and Sustainable Procurement. We are proud to have earned a silver medal in 2022.



Request AEP's 2022 EcoVadis Scorecard

## Supplier Diversity

Small and diverse suppliers enable innovation, increase competition, improve savings and enhance the AEP brand. We want our pool of suppliers and business partners to align to the diversity of our communities by making it easier for diverse suppliers to do business with us.

The Supplier Diversity Program focuses on maximizing opportunities for diverse businesses, which include those owned by women, minorities [including Hispanic, African American, Asian American, Indian (subcontinent) and Native American], LGBTQ, veterans and service-disabled veterans as well as [HUBZone](#) and disadvantaged businesses. Our goal is to develop a pool of diverse, strategic suppliers and business partners that mirror the customers we serve, and we set a target of 13% diverse spend by 2023 [includes Tier 1 (prime) and Tier 2 (subcontractors) suppliers]. In 2020, we increased our diverse spend to 10.17% of the spend that is managed through Procurement, compared to 7.4% in 2019.

We continue to improve our Tier 2 supplier program, which allows us to understand the impact of our diverse supplier spend through our direct suppliers. The Tier 2 program demonstrates the importance we place in understanding how our spend trickles down through our supply chain to affect the communities we serve.

### AEP's 2020 Spend Profile



## ETHICS AND COMPLIANCE

At AEP, we are committed to health, safety, financial, operational and environmental compliance while holding ourselves to a high standard of ethical conduct – always doing what is right.

Our [Principles of Business Conduct](#) places responsibility for acting legally and ethically with every individual – from the Board of Directors and management to employees at all levels. We promote our Ethics Program in tandem with our culture journey, driving a culture that supports the interests of both employees and AEP by maintaining a vigilant approach to practicing compliance and acting with integrity.

In early 2021, we converted our Whistle Blower Policy into a Speak Up Policy. This updated policy encourages



employees to speak up if there is a violation of the law or something that is not in alignment with our culture or ethics. We encourage employees and leaders at all levels to speak up, ask questions and report potential violations without fear of retaliation. We also revised our [Political Engagement Policy](#) and developed a new [Anti-Corruption Policy](#). In 2021, we plan to update our [Principles of Business Conduct](#) and required training to reflect these revised policies as well as AEP's culture transformation.

## AEP Business Ethics Policies:

- [Principles of Business Conduct](#)
- AEP's Speak Up Policy
- AEP's Employee Handbook
- Conflicts of Interest
- Bribes and Kickbacks
- Gifts and Entertainment
- Anti-Fraud
- PII Data Privacy Protection Policy
- Records Retention Manual
- Antitrust
- No-Conduit Rule
- Security Information Classification Standards
- Appropriate Use of Company Assets
- Prohibition Against Pornography and Offensive Material Policy
- Social Media Policy
- [Insider Trading Policy](#)
- Policy Development & Maintenance Policy
- Policy Against Retaliation
- [Political Engagement Policy](#)
- [Anti-Corruption Policy](#)

## AEP's company-wide required Ethics & Compliance training:

- FERC Affiliate Restrictions
- FERC Standards of Conduct
- Principles of Business Conduct
- Conflicts of Interest
- The Power of Respect
- Rules of the Road (Ohio and Texas)

## The Power of Respect

In 2019, we launched a new Sexual Harassment Prevention Workshop, "The Power of Respect." This training ties into our safety culture of "See Something, Say Something, Do Something" to go beyond compliance and to understand what it means to work in a harassment-free workplace. The sessions include interactive case scenarios tailored to fit the specific realities of the different workplaces. In response to COVID-19, these interactive, peer-facilitated training sessions were modified to a live virtual setting – allowing us to expand our geographical reach among leaders. The program was first rolled out to leaders and starting in 2021 will be offered as supplemental training for all employees, satisfying new legislative requirements in multiple states where AEP operates.

## Ethics and Compliance Hotline

The Committee on Directors and Corporate Governance of the Board oversees AEP's Corporate Compliance Program and receives regular reports from the Chief Compliance Officer. It is important for employees to feel like they have a safe space to discuss difficult topics. All AEP employees are able to report concerns anonymously or to seek guidance on ethical, safety or compliance matters through a confidential, 24/7 hotline. The number for this hotline can be found in AEP's Principles of Business Conduct. The Concerns Line was a valuable tool for communication and support for our

workforce during the pandemic and recent racial and social unrest.

## CLIMATE CHANGE

For more than two decades, climate change has been a key issue for us and our stakeholders. Investors and non-government organizations (NGOs), as well as other stakeholders, ask us about the pace of our transition to cleaner energy resources, the financial and physical risks associated with early retirement of fossil-fueled power plants, the potential reliability risks to the electric power system if we move too fast, and the importance of working with regulators and other public policymakers to arrive at the best solutions for our customers and the environment.

Our position is that there are unmistakable changes occurring to the climate but that the speed of change and the future effects of those changes remain uncertain. We have experienced it in the form of extreme weather events across our service territory, from extreme heat and droughts to more intense and frequent events such as heavy rain, flooding and hurricanes. These are some of the visible impacts that have occurred.

In 2020, we initiated a climate scenario analysis because it gave us an opportunity to expand our understanding of how various

scenarios can affect the company now and in the future. This informs our strategic planning, risk management and how fast we can go. We have long believed that our clean energy transformation strategy is aligned with the Paris Agreement. Our analysis reminds us that the transition must build resilience into the system to handle extremes. It also shows us that there are still many uncertainties about technology, resources and the pace and cost of the transition. Our path forward will evolve, and, as it does, we will continue to engage our stakeholders.

As we transition to a clean energy future, our decision-making is informed by:

- Customer preferences for clean energy, particularly those with carbon-free energy and fleet electrification goals;
- Availability and cost of advanced technologies, such as energy storage and modular nuclear;
- New resources, such as green hydrogen;
- Market demand and prices;
- Low natural gas prices; and
- Regulatory innovation, including alternative ratemaking mechanisms and deregulation.

AEP's Climate Scenario Analysis is a first step toward gaining clarity on actions, timing, physical and financial impacts, and possible outcomes. It is not a prescriptive, definitive path to net-zero, but it gives us valuable insights into the work that still lies ahead. Read the full [Climate Impact Analysis Report](#).

## ENVIRONMENT, SAFETY AND HEALTH PHILOSOPHY

No aspect of operations is more important than the health and safety of people. Our customers' needs are met in harmony with environmental protection.



**Environment, Health and Safety Policy**

AEP is committed to social responsibility and sustainability. We are proactive in our efforts to protect people and the environment by committing to MESH:

- **M**aintain compliance with all applicable Environment, Safety and Health (ES&H) requirements while pursuing the spirit of ES&H stewardship.
- **E**nsure that people working for or on behalf of AEP understand and integrate ES&H responsibilities into their business functions.
- **S**upport continual improvement of environmental performance and pollution prevention.
- **H**azard elimination through employee involvement and continual health and safety improvement.

### AEP's New Carbon Emission Reduction Goals

**80%** reduction by 2030  
**Net-Zero** by 2050

(goals are from a 2000 baseline)

## ENVIRONMENTAL REGULATIONS & COMPLIANCE

At AEP, noncompliance with environmental rules and regulations is not an option. Our goal is zero violations of environmental regulations or laws and zero enforcement actions. We are committed to complying with all applicable environmental regulations and being good stewards of natural resources. To help us continue to achieve operational excellence, we push ourselves toward developing and digitizing data collection processes and projects to make them more reliable, consistent and trackable.

Throughout the pandemic, COVID-related restrictions required us to work with state environmental agencies to temporarily adjust some of our compliance requirements. Regardless, we continued to meet our environmental obligations during the pandemic, experiencing no pandemic-related noncompliance events during 2020.

We are subject to various federal statutes including the Clean Air Act, Clean Water Act, Resource Conservation and Recovery Act, Endangered Species Act and Safe Drinking Water Act. Environmental regulations developed under these laws are revised periodically and it is critical that we stay current with changes to remain in compliance. As the scope and stringency of environmental regulations evolve, we face technical, operational and financial challenges that are common for our industry. These challenges include uncertainties with timing, scope and impact of future environmental regulations, which influence our decisions to upgrade or retire generating units. They also affect the planning process for new generation and transmission projects across our system.

We actively participate in the development of regulations at the federal, state and local levels to ensure that new requirements are achievable, based on sound science, consistent with statutory authority and balanced with other rulemakings. New requirements should also consider the cost of compliance for customers and allow sufficient time to comply.

Long after we retire fossil-fueled power plants, our responsibility to environmental compliance at AEP-owned properties continues. This includes many existing federal and state environmental requirements, in particular those related to the management of water and coal-combustion residuals. We continue to work closely with regulators and our local communities as we move through the fossil generation decommissioning process.

For additional disclosure on regulations affecting AEP, please read our [SEC Form 10-K](#).

### Environmental Compliance

We participate in routine environmental inspections through scheduled and unannounced visits. During these visits, regulators inspect physical facilities and/or operations and monitor our compliance with regulatory requirements, permit limits and recordkeeping obligations. If an agency identifies a concern, we work with them to address the issue in a timely fashion. This could include identifying and implementing corrective measures to mitigate future risks.

One way we check our own compliance is through internal environmental audits. Audits provide additional focus on managing risks and provide assurance that robust compliance processes are developed and implemented systemwide. In 2020, we conducted 20 audits of environmental compliance, which included inspections of 31 locations.

Environmental audits may reveal potential gaps in performance that are related to regulatory requirements and company procedures or policies. These could include areas such as recordkeeping, inspection criteria, training topics and equipment configuration. Auditors also recognize practices that go beyond regulatory requirements to bring about robust and sustained compliance. Although reports are site-specific, we aggregate and share results and best practices across our entire system to improve performance across AEP.



One way we check on our own compliance is through internal audits which provide additional focus on controlling risks and providing assurance.

# Environmental Performance

We tie a portion of the funding for short-term incentive compensation for all employees to environmental stewardship, which is measured based on the number of environmental enforcement actions with significant fines that are resolved during the year, if any. In addition, our Generation business unit has long used metrics to encourage self-reporting of events and to improve environmental performance. Our Environmental Performance Index (EPI) includes annual goals related to opacity, water discharge permits and oil and chemical spills. The EPI helps keep prevention front of mind, encourages sharing of best practices, and drives us to be more proactive in protecting the environment. Reinforcing its importance, we tie our Generation group’s incentive compensation to EPI performance. Since 2015, the number of EPI events has decreased each year, demonstrating the continuous improvement of Generation’s overall environmental performance.

We set annual targets focusing on continuous improvement as we strive for zero enforcement actions and zero events. In addition, AEP’s Generation organization instituted an Environmental Good Catch program, similar in manner to our Safety and Health Good Catch program. A “Good Catch” is an observation or recognition of a condition that could lead to a reportable environmental event and the subsequent actions taken by employees to correct the situation, preventing the event from occurring. A “Good Catch” can also be behaviors or conditions that represent a best practice. This demonstrates our commitment to an engaging and accountable culture – using knowledge sharing and lessons learned to prevent future non-compliance events.

Environmental compliance is a high priority for the lifecycle of every project we undertake. In our Transmission business, where a great deal of construction is taking place, project teams must complete a mandatory environmental compliance-training program. Our environmental specialists and engineers also provide support to ensure we achieve full compliance with environmental permit requirements and we are always striving for improvement.

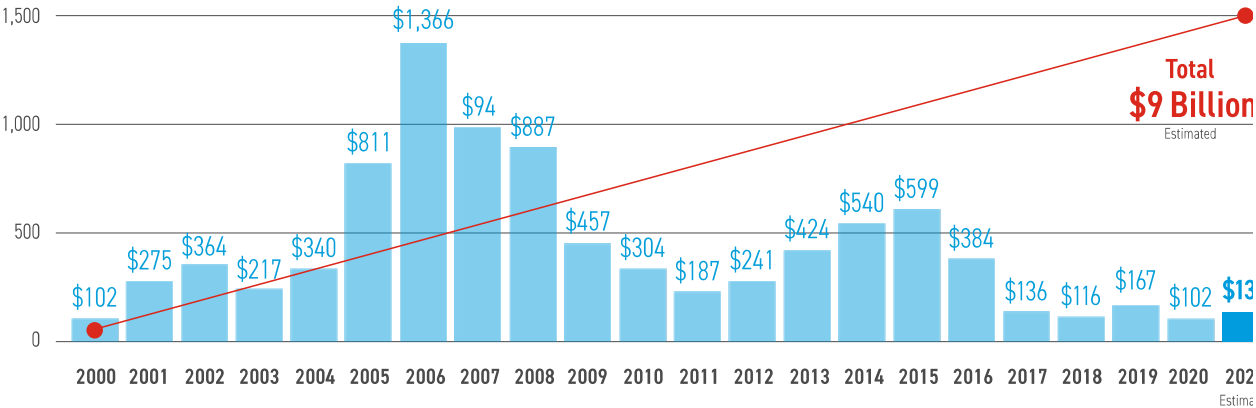
We have made significant long-term investments in environmental controls to reduce the impact of how we generate electricity. From 2000 through 2020, we invested approximately \$9 billion in environmental controls, primarily related to the Clean Air Act. These investments subsequently resulted in significant emissions reductions. Since 1990, we reduced our annual emissions of sulfur dioxide (SO2) and nitrogen oxide (NOx) by approximately 98% and 96%, respectively. Since 2001, we reduced our annual mercury emissions by approximately 98%.

Additional information about mercury is located within the [Toxics Release Inventory program](#).

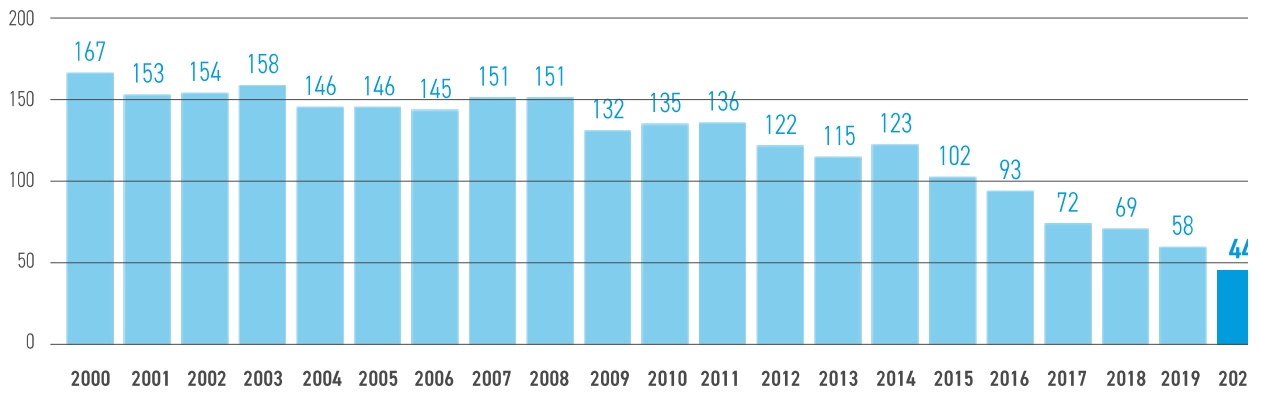
Through 2020, we reduced our carbon emissions by 74% (from a 2000 baseline), a decade ahead of our original goal to reduce carbon emissions by 70% by 2030. In February 2021, we announced a new goal to reduce our carbon footprint by 80% by 2030 and achieve net-zero by 2050. These new goals include a commitment to review them annually.

We are often asked whether or not our emissions data is third-party verified. AEP’s emissions data is not third-party verified as the data is derived from calibrated and certified systems that are deemed acceptable for all compliance requirements.

**Investments in Environmental Controls** \$ in millions

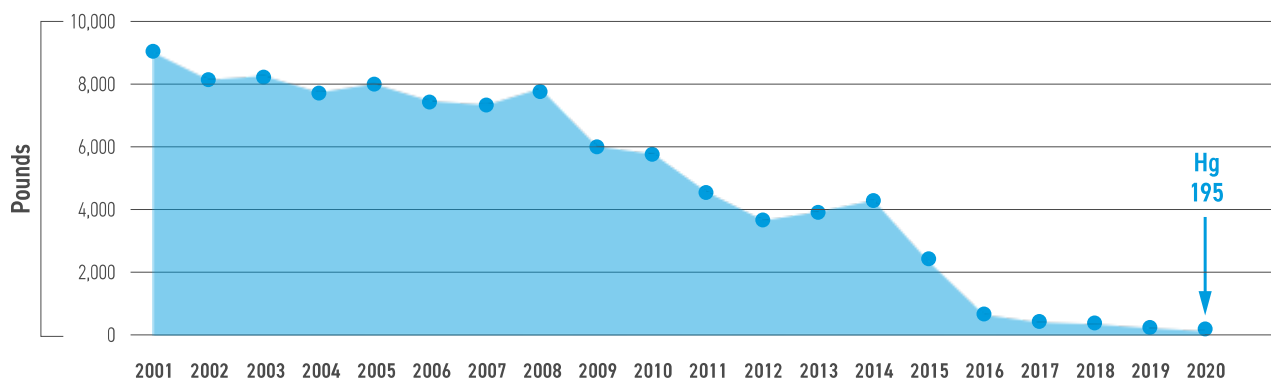


## Total AEP System – Annual CO<sub>2</sub> Emissions in million metric tons



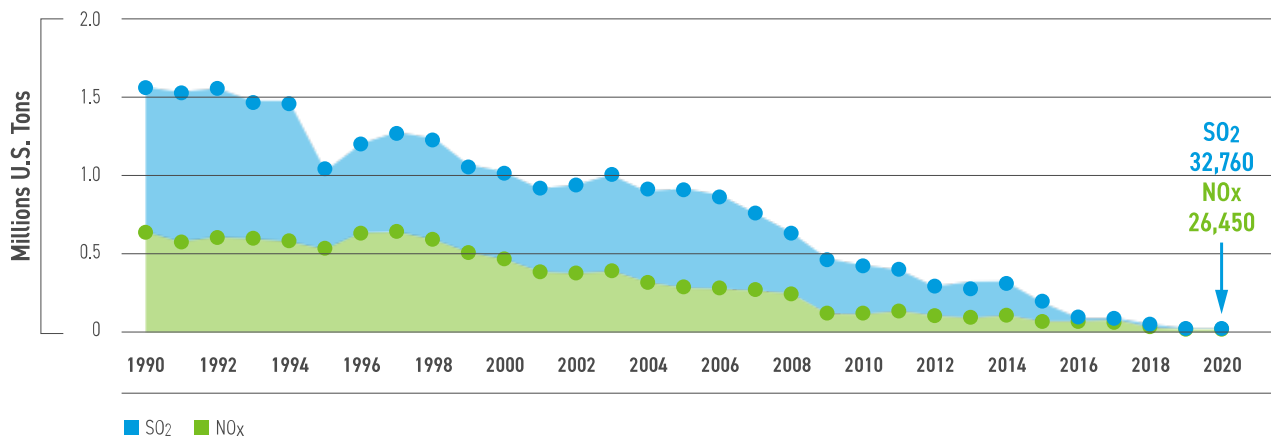
Direct CO<sub>2</sub> emissions from AEP's ownership share of generation as reported under Title IV of the 1990 Clean Air Act.

## Total AEP System Mercury Air Emissions



AEP equity share of mercury air emissions from Toxic Release Inventory reporting, 2020 was estimated with MATS program emission monitors.

## Total AEP System NO<sub>x</sub> & SO<sub>2</sub> Emissions



Direct annual emissions of SO<sub>2</sub> and NO<sub>x</sub> from AEP's ownership share of generation as reported under Title IV of the 1990 Clean Air Act.

## NEW SOURCE REVIEW

In 2007, AEP entered into a court-approved settlement of New Source Review (NSR) litigation. Since then, the agreement has been modified to expand the scope of eligible environmental mitigation projects. The 2020 modification included the replacement of existing public school and transit buses with new, more energy-efficient electric buses, reducing emissions of NO<sub>x</sub> and PM. AEP is currently accepting applications for funding under the program and hopes to announce award recipients later this year. Learn more about how customers in Indiana, Kentucky, Ohio, Virginia and West Virginia can apply for funding in the [Electrification section](#).

Since 2013, we've reported annually on our compliance with the consent decree requirements.

- [2020 NSR Annual Report](#)
- [2019 NSR Annual Report](#)
- [2018 NSR Annual Report](#)
- [2017 NSR Annual Report](#)
- [2016 NSR Annual Report](#)
- [2015 NSR Annual Report](#)
- [2014 NSR Annual Report](#)
- [2013 NSR Annual Report](#)

## WATER MANAGEMENT

Water is essential for the production of electricity and is critical for many of our processes, including cooling equipment. Although approximately 91% of AEP’s power generating capacity requires water, we return most of the water we use to its original source. Our coal and natural gas supply chains also rely on water to mine the coal and extract the natural gas. Water consumption occurs when it is lost to evaporation primarily due to process cooling and flue gas scrubbing.

As much as we need access to water, we also have a responsibility to manage this resource to minimize potential impacts and to reduce consumption. Our water withdrawal and consumption will continue to decrease as we continue to diversify our generating portfolio, retire fossil-fuel generation capacity and set incentive-based environmental compliance goals. The addition of wind and solar to our generation portfolio will also cause water intensity to decrease as these energy sources do not require any water input.

Since 2013, we have reduced our surface water use by nearly 45%. During that same timeframe, we have reduced our surface water consumption by 56%.

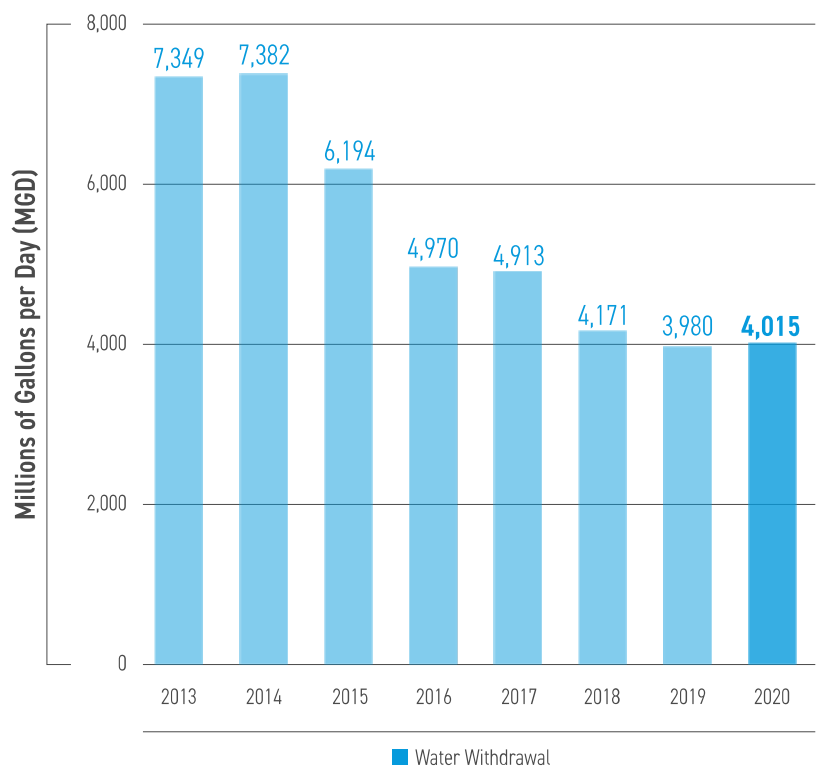
## Water Use Reporting

Because we place a high value on the importance of transparency, we extensively report on our usage and management of water throughout our system in different forums. We do this through both required reporting, such as the U.S. Energy Information Administration, and through voluntary reporting efforts. For example, we annually disclose extensive water data in our [ESG Data Center](#) and [Sustainability Accounting Standards Board \(SASB\) report](#), and we participate annually in the [CDP Water Survey](#).

## Water Management in High-Risk Areas

The effects of drought and flooding conditions have the potential to significantly affect our operations. We operate several power plants in drought-prone regions of the country that require careful management of water use. We have comprehensive water conservation plans in place for the Pirkey, Welsh, Wilkes and Knox Lee Power Plants. In 2020,

### AEP’s Surface Water Withdrawal



these plants conserved an estimated 900 million gallons of water, demonstrating the effectiveness of this management approach. In 2023, we will retire the Pirkey Plant, which will reduce our water consumption anywhere between an additional 9,400 to 11,170 million gallons per year.

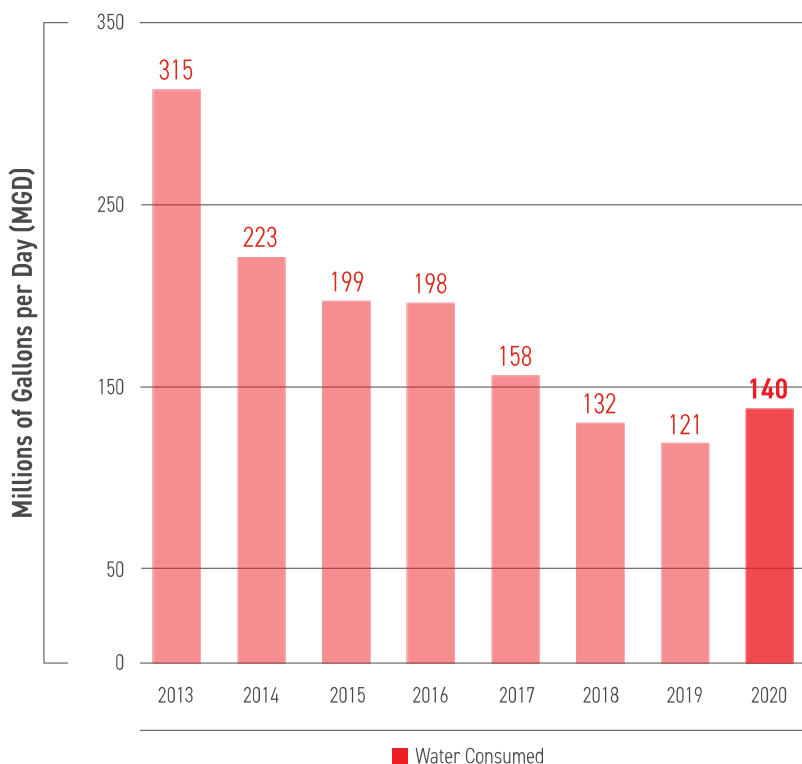
In contrast to drought, heavy rain events also can disrupt the operation of our generation, transmission and distribution facilities located across AEP's service territory. In response, we continue to search for solutions to mitigate the impacts of these events. For example, we are working diligently to find an acceptable solution to manage excess water at the Pirkey Plant, which due to lower generating needs, is not able to maintain its designed balance of water usage.

Another example involved the expansion of an existing make-up water storage pond at the Turk Plant during 2016. The plant was unable to use water of degraded quality from the Red and Little Rivers prior to flood events when water was released from upstream impoundments. The expanded storage pond now allows the plant to continue normal operations prior to and during flood events.

To help manage our watersheds, we participate in various voluntary efforts such as protecting the watershed of Caddo Lake; a Ramsar Convention designated wetland area and one of only 26 such sites in the United States. We also participate in the Illinois River Watershed Partnership. Recently, the AEP Foundation presented the Partnership with a \$200,000 grant to support environmental education through 2021.

You can learn more about our responses to changing water conditions by referring to our [Climate Impact Analysis Report](#).

## AEP's Surface Water Consumption



## WASTE MANAGEMENT AND RECYCLING

We manage many types of waste resulting from the process of providing electricity, operating office buildings, construction, and repairing and replacing equipment. We continue to make progress to standardize and streamline the collection of waste data. Through this process, we plan to identify improvement areas to further reduce and divert waste from landfills through beneficial reuse or recycling to minimize our environmental impacts caused by waste.

We report through the Toxic Release Inventory (TRI) program, part of the Emergency Planning and Community Right-to-Know Act (EPCRA). EPCRA requires companies with 10 or more employees, in certain industries, to collect and publicly disclose information about how they manufacture, process or use any of nearly 650 chemicals on a special list developed by the U.S. EPA. Read more on our [TRI website](#).

## The Power of Our People: Employee Promotes Recycling

Jeff Palmer, Environmental Management System Coordinator, leads a local recycling effort in his community of



Moundsville, West Virginia. For years, Jeff has volunteered his time coordinating a recycling program with the local middle school and courthouse, recently adding a local food kitchen, library and trailer park to his program. Since 2013, his group has recycled 320,000 pounds of material, averaging 10 to 12 truckloads of approximately 4,000 pounds of recycled material per year. Jeff plans to expand his program to possibly include the City of Moundsville. Jeff's involvement in his community is an example of how our employees share their commitment to the environment with others.



Middle school students from Moundsville, West Virginia volunteer to support the local recycling initiative started by AEP employee Jeff Palmer.

## Coal Combustion Residuals

Coal ash and flue gas desulfurization material (scrubber by-product) continue to be the subject of additional federal and state rulemaking. These coal combustion residuals (CCRs) are the solid material left over from the use of coal in generating electricity and represent AEP's single largest waste stream.

The U.S. EPA finalized revisions to environmental regulations in 2020 governing CCRs and the related Effluent Limitation Guidelines (ELG) that set limits for associated wastewater discharges. AEP filed compliance plans for our affected plants in November 2020 under the CCR rules and in January 2021 under the ELG rules.

These plans include a combination of generating unit retirements or cessation of burning coal as a fuel, as previously announced by AEP, along with the closure of ash ponds, and upgrades to ash handling and FGD wastewater treatment systems. In addition, we will continue monitoring groundwater quality at all CCR sites included in the program and post new reports and data as required by the rule. We will also continue to proactively engage our neighbors and community leaders on questions and concerns about our CCR program.

Learn more about our CCR Rule Implementation plans and review our compliance reports on our [CCR website](#).

## Beneficial Use

CCRs have long been approved for use in concrete, wallboard and a wide variety of construction materials. While this benefits other industries, it also provides a source of environmental and financial benefits to us. By diverting CCRs to beneficial uses, we are reducing the need for waste disposal sites.

In 2020, we generated more than 2.9 million tons of CCRs and were able to beneficially use more than 1 million tons, or nearly 35% of the total produced. Beneficial use of CCRs avoided more than \$14 million in disposal costs in 2020 and generated approximately \$11 million in revenues.

## NUCLEAR WASTE MANAGEMENT

The U.S. Department of Energy oversees permanent disposal of spent nuclear fuel and historically has charged fees to plant owners for this disposal. However, following the government's decision to cease development of the Yucca Mountain storage facility in Nevada, nuclear generators no longer have a place for permanent disposal.

Like the rest of the nuclear industry, we face a significant future financial commitment to dispose of spent nuclear fuel. We need a national solution for the long-term disposal of spent nuclear fuel, which should be part of a national energy plan.

The uncertainty associated with long-term storage places the burden of interim storage on each nuclear facility. We are addressing this issue through dry cask storage on the assumption that a workable off-site solution will not exist before the current operating licenses for both Donald C. Cook nuclear units expire in 2034 and 2037.

In 2012, the Cook Plant in Bridgman, Michigan, began a program of loading spent nuclear fuel into dry casks. The latest loading campaign took place in 2018, bringing the total to 44 dry casks that have been loaded into storage. The next loading campaign will occur in 2021. The casks can withstand tornadoes, earthquakes, floods, sabotage, missiles, aircraft and temperature extremes. Licensed by the Nuclear Regulatory Commission, the casks meet all applicable security, environmental and radiological requirements.

The current cask storage facility can store 94 casks, or 3,008 spent nuclear fuel assemblies. This would support the operation of both units through their current operating licenses. Expansion of the pad is possible to facilitate removal of all fuel assemblies from the plant's spent fuel pool and full decommissioning of both units.

Nuclear plant operators are required to maintain a plant-decommissioning trust fund to safely decommission and decontaminate the plant upon closure. At the end of 2020, the trust fund balance for the Cook Plant was approximately \$3 billion.



AEP's current spent nuclear fuel cask storage facility can store 94 casks, or 3,008 spent nuclear fuel assemblies.

## WILDLIFE PROTECTION

As we build and maintain new and existing infrastructure across our service territory, such as transmission or renewable generation facilities, we are mindful of the potential impacts we may have on wildlife. This includes species protected under the Endangered Species Act (ESA), the Migratory Bird Treaty Act, the Bald and Golden Eagle Protection Act, and similar state laws. As committed stewards of the ecological richness of our geographies, we take steps to ensure wildlife and habitat protection.

### Avian Protection

For more than three decades, the utility industry, conservation groups, wildlife resource agencies and others have collaborated to understand why and how birds collide with, or are electrocuted by, power lines. To reduce avian mortality, we voluntarily adopted a company-specific Avian Protection Plan to mitigate the risks associated with bird interactions at our facilities.

It is important for both our operations and our customers that we account for avian protection when we design and engineer new facilities and upgrade existing facilities. For example, we have installed laser technology at substations to discourage birds from flying into switches and transformers or nesting in the equipment. This technology may also be used at other substations where adjacent land use encourages avian activity.

AEP manages interactions between birds and power lines through a system-wide plan across our 11-state regulated service territory. Our primary challenge continues to be larger species, which are more likely to be electrocuted in substations and on poles or to collide with towers and lines.

The Plan has several key components:



This deer plot is part of the ROW Vegetation Demonstration located at the AEP Transmission headquarters in New Albany, OH.

- **Employee training and compliance** – Educate and train employees on compliance requirements to proactively prevent bird collisions and electrocutions.
- **Construction design standards and mortality reduction measures** – Design new lines and facilities with bird safety in mind.
- **Nest management and avian enhancement options** – Adopt the use of safety tactics to keep birds away from wires, such as installing a de-energized pole for bird nesting.
- **Avian reporting systems and risk assessment methodologies** – Continuously improve our monitoring and reporting capabilities.
- **Public education** – Promote the need for migratory bird and habitat conservation, working cooperatively with federal and state agencies and nonprofits.

In addition to our Avian Protection Plan, we are committed to adherence with all federal, state and local laws as they pertain to responsibly siting, constructing and operating renewable energy technologies, whether developed by us or purchased from another entity. This includes compliance with the Endangered Species Act, the Migratory Bird Treaty Act and the Bald and Golden Eagle Protection Act, as well as adherence to the U.S. Fish & Wildlife Service's (USFWS) voluntary Land-Based Wind Energy Guidelines. As renewable energy continues to grow, we remain engaged with organizations such as the American Wind and Wildlife Institute (AWWI)/Wind Wildlife Research Fund and the Electric Power Research Institute (EPRI), which is conducting research on wildlife interactions with renewable energy facilities.

## Habitat Conservation Plans

Our grid modernization efforts require balancing business needs with environmental protection. With the magnitude of our construction activities, it is conceivable that we will come into contact with, or potentially have an impact on, a range of species. One way we are addressing this is by working with the USFWS to establish Habitat Conservation Plans (HCPs).

In 2019, we received an Incidental Take Permit (ITP) and began implementing the approved HCP across portions of three states for the American burying beetle (ABB). At the time the ITP was issued in 2019, the ABB was listed as endangered; however, in 2020 the listing was downgraded to threatened. The 30-year ITP/HCP allows us to use pre-approved practices through a regional, programmatic approach to minimize impacts to the beetle and its habitat and to encourage its recovery. The HCP covers portions of Arkansas, Oklahoma and northern Texas where we currently have operations or the potential for future development.

We also continued development of a 30-year, system-wide multispecies HCP. This HCP is important because it will not only protect the covered species but also generate cost and time savings for AEP and our customers. A draft of the HCP is currently under review by USFWS, and we have initiated the required third-party review under the National Environmental Policy Act (NEPA).

Administered by the USFWS, the HCP will enable transmission construction activities that could impact listed species, such as the Indiana bat, to proceed without case-by-case agency consultation, as long as the practices and mitigation methods described in the plan are followed. The plan will cover construction activities in our 11 regulated states.

We are working closely with wildlife protection agencies in each of our states to ensure the HCP is consistent with their goals and regulations and covers the species affected by our work. In 2021, we anticipate having a complete HCP ready for public review.

### The Power of Our People: Line Crew Rescues Screech Owl

Line Mechanics Zachary Doss and Jacob Jackson, along with Line Crew Supervisor Eric Janney, were working late-night storm trouble in rural Roanoke County, Virginia, when they discovered an eastern screech owl perched in the bed of their bucket truck. The area was one of several locations without power after high winds and rain affected Appalachian Power's three-state service area. When their work was complete, the owl was still in the truck. Recognizing that it was sick or injured and unable to reach a wildlife center in the overnight hours, they placed the owl in a large cardboard box and took it with them back to the service center.

That morning, another employee took the owl to a nearby non-profit organization for treatment. Within a few weeks, the owl was healthy enough to be released back into the wild. The care from Appalachian Power's line

crew to protect wildlife while serving customers reflects our commitment to caring for each other and the environment.



Line Mechanic Zachary Doss took this photo of an injured screech owl perched in the bed of the crew's bucket truck.

## Environmental Stewardship

We value and practice environmental stewardship and conservation across our service territory. Whether through reclaiming former industrial land for outdoor recreation, such as nature trails and campsites, or integrating conservation measures into new and rebuilt transmission lines, we take steps to preserve the natural ecosystem as we grow our business.

We remain committed to following all environmental regulations and practicing environmental stewardship and compliance. At times, however, nature has its own plans, requiring a few extra steps on our part. During a wires upgrade project in Central Ohio, our crew identified an osprey nest on top of one of our utility poles. The size of an osprey nest posed a fire hazard that threatened both our equipment and the safety of the birds. Moving their nest was necessary, but, because ospreys are protected under the Migratory Bird Treaty Act, environmental rules needed to be carefully followed to prevent interfering with their migration or nesting habits. AEP's engineering, right-of-way, environmental services and line departments developed a plan to effectively relocate the nest without disturbing the birds, enabling completion of the work. Before the nest could be relocated, a second nest appeared on a neighboring pole. The team waited another nesting season and built a new nesting platform, giving the osprey a permanent home while eliminating a hazardous condition.



During a wires upgrade project, AEP crews relocated an osprey nest without disturbing the birds, to safely enable the completion of the project.

## Environmental Stewardship Recognition

In 2020, our environmental stewardship efforts at the Flint Creek Power Plant in Gentry, Arkansas, received a silver Wildlife Habitat Council (WHC) Conservation Certification. The designation recognizes the plant's habitat enhancement programs, including tallgrass prairie restoration, nesting boxes and other bird habitat improvement, pollinator garden landscapes, restoration of native plant species, and environmental awareness education. Flint Creek has held certification under the WHC's Corporate Lands for Learning and Wildlife at Work programs since 2004 and 2002, respectively, and since 2016 when the two programs were combined into the Conservation Certification. This certification is indicative of the decades of dedication and commitment to environmental stewardship by the Flint Creek team.

Approximately 700 acres of the power plant's 1,600 acres are designated as wildlife habitat. The site used for many activities is Flint Creek's 65-acre Eagle Watch Nature Trail, which includes a half-mile walking trail and two wildlife-viewing pavilions. Built in 1999 on SWEPCO Lake, the power plant's cooling reservoir, Eagle Watch is located on Highway 12 one mile east of Gentry. It is open to the public at no charge year-round.

## Right-of-Way Conservation

In 2016, we partnered with the Dawes Arboretum in Newark, Ohio to support research on the use of native vegetation on utility right-of-way (ROW) sites to support wildlife, biodiversity, and sustainability/cost effectiveness. The pilot research study demonstrates the feasibility of economically incorporating native plants and pollinator habitats into ROWs through prairie establishment. The Dawes Arboretum project replicates a post-construction restoration scenario and uses a native prairie seed mix to meet these requirements. Researchers are documenting rich biodiversity and monitoring habitat quality, erosion control, succession of prairie development, and invasive tree growth.

In October 2020, the North American Pollinator Protection Campaign (NAPPC), managed by Pollinator Partnership, awarded its first Pollinator Electric Power Award to American Electric Power. The award recognized the collaboration and partnership with the Dawes Arboretum to research native vegetation use on our ROWs. The award recognizes AEP's commitment to the environment and to collaboration with environmental organizations.

Complementing the Dawes Arboretum study, we are also researching the use of native seed mixes to restore vegetation following the completion of Transmission construction projects. Seed mixes have been tested at sites in Ohio, Oklahoma, and West Virginia and will be monitored for germination success, erosion prevention and stability, species development and drought tolerance. The seed mixes were developed according to regional needs, as well as compliance with restoration requirements. The study affords an opportunity to understand and learn about the feasibility of long-range use of native seed mixes on future construction projects. The results to date indicate the regional seed mixes were successful and complied with local storm water regulations for site stability and vegetation coverage.

We are also involved with other ROW pollinator vegetation management studies, including ROW Vegetation Demonstration Plots planted at the AEP Transmission headquarters in New Albany, Ohio. After three years of planning, ROW vegetation demonstration plots have been seeded and are now in full bloom, covering a total of 8 acres. The seed mixes were developed with help from local conservation organizations, such as the Ohio Department of Natural Resources, Audubon Society, National Wild Turkey Federation and Pheasants Forever. The various mixes are designed to support birds, pollinators, deer or turkey. We plan to host demonstrations for school groups, NGOs, and other organizations as soon as COVID-19 restrictions are lifted.



AEP was the recipient of the 2020 Pollinator Electric Award.

## Pollinator Initiatives

Pollinators provide vital support to our natural ecosystems, including food production. A report by the Electric Power Research Institute (EPRI) notes that globally, pollinators are in decline, with some scientists estimating that 40% of pollinator species may be at risk of extinction in the coming decades. At AEP, we are taking multiple measures to protect pollinators and promote their well-being. We are part of EPRI's Pollinator Program to research ways that electric utilities can support pollinator habitats and raise public awareness of their importance to society.

Our work to raise awareness extends to our employees. Each year, we organize an annual Pollinator Week in concert with peer utilities across the country. Through social media and other interactive communications, we share information about the role of pollinators in plant fertilization and AEP's efforts to facilitate pollinator population growth through vegetation management. During 2020, about 150 employees participated in a virtual event to learn more about the value of urban gardens to support insects and pollinators.

The focus on pollinators has put the spotlight on the plight of Monarch butterflies, the only insect species to migrate across the continental U.S. It is also a species experiencing population decline. In an effort to support

robust Monarch populations and habitats, we have several initiatives in place designed to establish flowering vegetation. These include:

- Public Service Company of Oklahoma (PSO) registered an official Monarch butterfly waystation outside of its General Office in Tulsa. During migration, Monarchs depend on waystations, or specific habitats, to provide abundant nectar sources and shelter from harsh weather.
- Native seed mixes were planted at the Big Sandy ash pond closure in Kentucky and at the Mountaineer Plant (Gatling Mine) in West Virginia as part of reclamation projects.
- Butterfly gardens, swamp milkweed, buttonbush and other plants are part of the pollinator gardens at the Eagle Watch Nature Trail at Flint Creek Power Plant in Arkansas.

Overall, our efforts and initiatives to implement pollinator-friendly projects on managed lands demonstrate the significant role electric power companies play in boosting pollinator habitats nationwide. These efforts also add to our knowledge of the feasibility and compatibility of supporting natural ecosystems on our property and within our ROWs.

## Wetland and Stream Habitats

The AEP Foundation donated \$35,000 to the City of Port Aransas Joan and Scott Holt Paradise Pond located in Texas to support the restoration and expansion of the local wetland. Paradise Pond is a freshwater wetland and an important stop for migratory birds traveling down the Gulf Coast. Saltwater surge and high winds from Hurricane Harvey killed many native trees and damaged the ecosystem. Restoration of the site will give the community and tourists access to engaging with nature along the boardwalk and observation decks, which will be increasingly important as the community recovers from Hurricane Harvey and the COVID-19 pandemic.

## RENEWABLES

Our vision for a clean energy future focuses on promoting and investing in regulated and contracted renewables. As renewable resources become more affordable due to advances in technology and support from federal tax credits, we see these clean options capturing larger shares of our integrated resource plans (IRPs).

Our transition to a clean energy future is tied to our investment strategy. From 2021 through 2025, we plan to invest \$37 billion in capital, with the bulk allocated to regulated businesses and renewables. We plan to invest 14% of our capital through 2025 in renewable energy within and outside our traditional service territory. This includes \$2.8 billion planned for investment in regulated renewable generation and \$2.1 billion in competitive, contracted renewables.

By 2030, our current resource plans call for our regulated utilities to add up to 5,910 MW of solar, up to 10,685 MW of wind and 2,266 MW of natural gas. We expect renewables will represent 51% of our generating resource mix by 2030.

AEP Energy Supply, which includes AEP's competitive businesses, Energy Partners, AEP Renewables, AEP Energy and AEP OnSite Partners, provides commodity or asset solutions where allowed nationwide. Synergies among our subsidiary companies offer customers custom energy solutions ranging from energy supply to technology, sustainability and advisory services. We own, operate and support behind-the-meter projects and utility-scale renewable projects, as well as third party renewable assets/projects.

Investing in transmission lines and substations is critical to enabling the nation's renewable energy strategy. From 2021 through 2025, we expect to allocate 72% of our capital investments to modernize the energy grid and enhance reliability and resilience. Our experience, skillsets, assets and resources serve as the backbone and integrator of renewables. By adding and applying new technologies to optimize distribution and transmission networks, we will be better equipped to continue delivering reliable and affordable clean energy to our customers. Learn more about our grid investments in the [Reliability & Resilience section](#).

### AEP's Renewable Portfolio in MW

Hydro, Wind, Solar & Pumped Storage	Owned MW	PPA MW	Total MW
AEP Ohio	—	209	209
Appalachian Power	785	575	1,360
Indiana Michigan Power	56	450	506
Public Service Company of Oklahoma	91	1,137	1,228
Southwestern Electric Power Company	108	469	577
Competitive Wind, Solar and Hydro	1,597	101	1,698
<b>Total</b>	<b>2,637</b>	<b>2,941</b>	<b>5,578</b>

As of April 2021

### Projected Regulated Resources Solar Additions in MW



Company	2021-2025	2026-2030	Total
Appalachian Power	210	450	660
Indiana Michigan Power	450	450	900
Kentucky Power	150	300	450
Public Service Company of Oklahoma	1,350	2,250	3,600
Southwestern Electric Power Company	300	—	300
<b>Total</b>	<b>2,460</b>	<b>3,450</b>	<b>5,910</b>

## Projected Regulated Resources Wind Additions in MW



Company	2021-2025	2026-2030	Total
Appalachian Power	1,800 <sup>1</sup>	—	1,800 <sup>1</sup>
Indiana Michigan Power	800	—	800
Kentucky Power	500	500	1,000
Public Service Company of Oklahoma	1,975 <sup>2</sup>	1,300	3,275 <sup>2</sup>
Southwestern Electric Power Company	2,310 <sup>2</sup>	1,500	3,810 <sup>2</sup>
<b>Total</b>	<b>7,385<sup>2</sup></b>	<b>3,300</b>	<b>10,685<sup>2</sup></b>

<sup>1</sup> Includes 600 MW at WPCO

<sup>2</sup> Includes 1,485 MW North Central Wind Projects (675 MW at PSO and 810 MW at SWEPCO) of which Sundance for 199 MW was placed into service on 4/14/21

## Projected Regulated Resources Natural Gas Additions in MW



Company	2021-2025	2026-2030	Total
Indiana Michigan Power	—	952	952
Public Service Company of Oklahoma	—	251	251
Southwestern Electric Power Company	—	1,063	1,063
<b>Total</b>	<b>—</b>	<b>2,266</b>	<b>2,266</b>



APPROXIMATELY

# 16,300 MW

OF RENEWABLE GENERATION INTERCONNECTED  
ACROSS THE U.S. VIA AEP'S TRANSMISSION  
SYSTEM TODAY

## Recent Headlines

### [AEP Energy Partners Seeks Solar And Wind Projects In PJM](#)

AEP Energy Partners (AEPEP), a wholly owned subsidiary of American Electric Power company, seeks proposals for off-take from new and existing solar and wind facilities located in the PJM service region to support the company's growing retail and wholesale loads in Ohio including the recently passed Columbus, Ohio Electric Service Aggregation Program.

### [Traverse Wind Energy Center Begins Delivering Savings to Customers](#)

American Electric Power's 998-megawatt (MW) Traverse Wind Energy Center, the largest single wind farm built at one time in North America and one of the largest wind facilities worldwide, is now providing clean energy to customers in Arkansas, Louisiana and Oklahoma.

### [I&M Seeks Detailed Proposals for 1,300 MW of Solar, Wind Energy](#)

Indiana Michigan Power, an American Electric Power company, has issued a request for proposals (RFP) for facilities that will generate approximately 800 megawatts (MW) of wind energy and approximately 500 MW of solar power.



## **Appalachian Power issues RFP seeking solar energy resources in West Virginia**

Appalachian Power today issued a Request for Proposals (RFP) for up to 150 megawatts (MW) of solar energy resources with the option to include a battery-energy storage system.

## **I&M is Powering the Next Tomorrow with Plans to Add More than 2,000 MW of Solar, Wind Energy**

*20-year Integrated Resource Plan Includes Fourfold Increase in Clean Energy Sources by 2028, Significantly Reduces Reliance on Coal-Fueled Energy*

Indiana Michigan Power, an American Electric Power (Nasdaq: AEP) company, submitted a plan with the Indiana Utility Regulatory Commission that calls for adding more than 2,000 megawatts of wind and solar energy generation by 2028.

## **Appalachian Power Issues Its Largest Request for Wind Energy Resources**

Appalachian Power today issued a Request for Proposals (RFP) for up to 1,000 megawatts (MW) of wind and/or 100 MW of solar generation resources with optional battery energy-storage systems. The proposals will help the company meet the renewable energy requirements established by Virginia's Clean Economy Act (VCEA). Under the VCEA, Appalachian Power must meet annual targets as it works toward 100% carbon-free energy in its Virginia service territory by 2050.

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Our stakeholders' demand for clean energy drives our renewable energy portfolio growth. We listen to their needs and develop energy solutions that are right for them. Regulatory support in our jurisdictions is vital to our clean energy resource investments. As renewable resources are becoming more cost-competitive compared with other forms of generation, we see growth of renewable penetration within the Regional Transmission Organizations (RTOs). As a result, RTOs have been required to both clarify and reconsider some of their rules to accommodate the growth of renewable generation, which is an intermittent resource.

## **North Central Wind Energy Facilities Project**

In 2020, Southwestern Electric Power Company (SWEPCO) and Public Service Company of Oklahoma (PSO) received approvals needed to acquire North Central Wind Energy Facilities in Oklahoma. The approximate \$2 billion investment will deliver 1,485 MW of clean, renewable energy to customers in Arkansas, Louisiana and Oklahoma. The project is expected to save our customers an estimated \$3 billion over the next 30 years. It will also support local and regional economic and business development while helping our customers achieve their renewable energy goals.

# Renewable Portfolio & Energy Efficiency Standards

## Energy Efficiency (EE) Standards

### Arkansas (mandatory)

1.2% of 2018 retail sales reduced by the current-year sales of the approved self-direct customers.

### Louisiana (voluntary)

Voluntary 2-phase EE plan.

### Ohio

HB6, passed in 2019, amended the benchmark requirements and required the EE programs to wind down at the end of 2020.

### Michigan (mandatory)

1% annual reduction of previous-year retail sales in 2012 through 2021.

### Texas (mandatory)

30% reduction in annual growth in demand until the goal is equal to 0.4% of previous-year peak demand.

### Virginia (mandatory)

2% savings over 2019 levels by calendar year 2025.

Note: Indiana EE goals are determined through the Integrated Resource Planning Process (SB 412).

There are currently no energy efficiency standards in Kentucky, Oklahoma, Tennessee or West Virginia. Energy Efficiency goals must be consistent with an electricity supplier's integrated resource plan (IRP).

## Renewable Portfolio Standards (RPS)

### Michigan (mandatory)

Phase-in program increasing to 15% by 2021.

### Indiana (voluntary)

Phase-in program increasing to 10% by 2025.

### Oklahoma (voluntary)

Goal of 15% by 2015.

### Texas (mandatory)

Goal of 5,880 MW by 2015; 10,000 MW by 2025.

### Ohio (mandatory)

RPS requirements drop to 8.5% by 2026, after which it terminates.

### Virginia (mandatory)

100% renewable and carbon free resources by 2050.

There are currently no renewable portfolio standards in Arkansas, Kentucky, Louisiana, Tennessee or West Virginia.

## Distributed Energy Resources

Distributed Energy Resources (DERs) include technologies such as solar panels, wind turbines and battery storage systems. DERs can provide a self-sufficient generation resource that can be isolated from the rest of the grid in the event of an outage. AEP is increasingly evaluating DERs to provide cost-effective solutions, at times of peak demand. Learn more about technology investments that are enabling the usage of DERs in the [Energy Technology section](#).

We support our customers who are installing their own DERs and seek rates that accurately reflect the true cost to serve them. We launched a new easy-to-use solar calculator providing residential customers with accurate and objective information on the benefits and costs of rooftop solar energy. With information from the solar calculator, customers can make fully informed decisions about their options. In only a few minutes, they will better understand their home's solar potential through a personal assessment.

## ENERGY MANAGEMENT

Our clean energy strategy gives customers the tools and the knowledge to optimize their energy experience. We view energy efficiency as a readily deployable, competitively priced and clean resource that benefits our customers and our environment.

Today, we offer customers more than 150 programs across nearly all of our 11-state service territory. In 2020 alone, our energy efficiency programs reduced energy usage by more than 1.1 million MWh and reduced demand by approximately 320 MW. From 2008 through 2020, these programs combined reduced annual consumption by over 9 million MWh and peak demand by approximately 2,900 MW. To achieve these savings, we invested \$1.5 billion during that same period.

The U.S. Environmental Protection Agency (EPA) announced its 2021 ENERGY STAR® awards for businesses and organizations that have made outstanding contributions to protecting the environment through superior energy efficiency achievements. AEP Texas, Appalachian Power and Southwestern Electric Power Company (SWEPCO – Arkansas) were named ENERGY STAR Partner of the Year – Sustained Excellence winners. SWEPCO (Louisiana and Texas) and Public Service Company of Oklahoma (PSO) were recognized for an ENERGY STAR Partner of the Year – Energy Efficiency Program Delivery award as well.

Meanwhile, reducing energy consumption within our own operations continues. We reduced our kilowatt-hour (kWh) usage, normalized for weather, by approximately 35% in 2020, compared with the 2007 baseline, in nearly 280 buildings. This resulted in approximately \$7.1 million in cost savings. Today, we have nine LEED-certified company facilities across our service territory.

## Energy Efficiency/Demand Response

AEP's demand response programs lower costs, reduce emissions, and support the grid by reducing load in periods of peak demand, such as during extreme hot and cold weather. They often include incentive rates to encourage our customers to reduce their energy consumption during these peak demand periods. For some customers, contract terms allow us to "interrupt" their power consumption during peak times in exchange for reduced rates.

As manufacturers create more advanced technology appliances and lighting, we continue to explore ways to provide solutions for customers to manage their energy bill and environmental footprint.

## 2020 AEP System Energy Efficiency Results & Estimated Avoided CO<sub>2</sub> Emissions

Operating Company	Annual Energy Savings (MWh)	Annual Demand Savings (MW)	Avoided CO <sub>2</sub> Emissions (USTons)
AEP Ohio	728,331	115	228,091
Appalachian Power	32,229	12	26,054
Kentucky Power	144	0	110
Southwestern Electric Power Company	63,410	26	53,153
Indiana Michigan Power	115,904	14	18,713
Public Service Company of Oklahoma	136,291	96	57,801
AEP Texas	72,026	56	33,533
<b>Total</b>	<b>1,148,334</b>	<b>320</b>	<b>477,475</b>

## Home Energy Management

Customers want a more personalized energy experience, and we are delivering custom, high-tech solutions that empower them to make a difference. Through Home Energy Management (HEM) tools made available on our websites, we give customers greater control of their energy use and bills.

HEM provides tools such as proactive alerts, and personalized energy efficiency tips and programs – improving the customer experience and increasing satisfaction. Our deployment of Advanced Metering Infrastructure (AMI), or smart meters, enhances HEM benefits by providing access to more data to facilitate high-impact, highly personalized solutions.

In 2020, Southwestern Electric Power Company and Appalachian Power introduced the new HEM tool for its residential customers, giving them a hands-on experience with their energy usage and money-saving tools, such as energy efficiency programs. The tool offers bill comparisons, home energy analysis, a data browser, energy-saving tips, and account information and preferences. The tool also provides high-bill alerts, empowering customers to make changes in their energy use during the current billing period to keep their monthly electric bill affordable. AEP Ohio and Indiana Michigan customers are also benefiting from the tool.

For customers with AMI and HEM, the two work together to improve the integration of electric vehicles (EV) across our system. AMI and HEM help us identify customers with at-home EV chargers so we can offer programs that avoid charging during peak demand periods and can save customers money. We continue to explore cost effective and unobtrusive ways to provide this functionality.

## ELECTRIFICATION

Electrification is the process of converting end-uses — such as HVAC, transportation and industrial machinery — to electricity and away from fossil fuels. Economics, existing technology, climate goals, and continued advancements of electric technologies are key factors in the pace of electrification.

The electrification of end-use technologies in industry, buildings and the transportation sector has the potential to enable customers to be more energy efficient through the use of more — and increasingly cleaner — electricity while replacing direct fossil fuel use. This trend continues to grow as society seeks to replace fossil fuels with clean electricity to heat homes and buildings, power vehicles and operate industrial equipment. The benefits are significant for the environment, society and business. However, the shift to an electrified economy requires planning to ensure infrastructure is in place to meet our customers' needs and the right policies and regulations are established to support them.

## Electric Transportation

The U.S. transportation system provides mobility for people, goods and services. Because transportation relies heavily on fossil fuels today, electrification of the transportation sector is vital to achieving long-term carbon reductions and ensuring our nation's energy and economic security.

Thanks to aggressive goal setting and technology advancement, the electric power sector now emits less carbon dioxide than the transportation sector. EVs are cost-effective, saving drivers both fuel and maintenance costs. The Edison Electric Institute (EEI) estimates EV drivers spend the equivalent of about \$1.20 per gallon, based on average residential electric rates. Customers save even more money where off-peak charging programs are offered.



Electrification of end-use technologies enables customers to be more energy efficient through the use of more electricity while replacing direct fossil fuel use.

Enabling wider usage of electric transportation is essential to building a cleaner energy future. According to the Edison Electric Institute (EEI), an estimated 18.7 million electric vehicles (EVs) are projected to be on U.S. roads by 2030, and we are working to support this transformation while promoting a positive experience and benefits for all of our customers and communities.

As of December 2020, there were more than 18,800 EVs in our 11-state service territory. All-electric EVs surpassed plug-in hybrid EVs for the first time in March 2020 and growth rates suggest this trend will continue. We're working with our customers and communities to help them realize the benefits of electric transportation through community outreach, assessment tools, guides, customer programs and offers, and low-cost off-peak charging rates.

Customer program offerings span our service territory and include infrastructure deployment rebates, off-peak charging programs, energy efficiency rebates and consultative services. This includes collaboration with vendors and automakers to raise awareness on fleet electrification and charging infrastructure deployment. Our customer program offerings aim to optimize the electric grid, thereby benefiting all customers with applications such as corridor fast charging, fleets and transit agencies, multi-family dwellings, workplaces and residential homes.

## Electric Transportation Customer & Community Programs

- Across our service territory, we offer programs, rebates and customer support to encourage EV adoption. We launched many new programs in 2020, including [Indiana Michigan Power's IM Plugged In program](#). IM Plugged In covers residential, multi-family dwellings, fleet, workplaces and corridor fast charging. Participating customers get rebates on charging equipment installation as well as off-peak usage rates to keep their EV charging costs low. While giving customers more options, we promote adoption, which creates downward rate pressure – and ultimately benefiting all I&M customers.
- [AEP Ohio's Electric Vehicle Charging Station Rebate program](#), launched in April 2019, incentivizes installations of network-connected charging infrastructure at public, government, commercial, and multi-family locations. The program will install and activate approximately 75 DCFC and 300 Level 2 Charging Stations by the program completion in April 2022.
- Residential customers of [Public Service Company of Oklahoma \(PSO\)](#) and [Southwestern Electric Power Company \(SWEPCO\)](#) in Louisiana and Texas are eligible for energy efficiency rebates on qualified EV chargers. Efforts to expand electric transportation offerings continue throughout AEP's service territory, including AEP Ohio, Appalachian Power, Indiana Michigan Power, Public Service Company of Oklahoma and Southwestern Electric Power Company. Active discussions are underway to innovate, improve and evolve our customer offerings as we continue to pursue our electric transportation mission with our customers and communities.
- SWEPCO hosted its first National Drive Electric Week event in 2019 and moved the event online in 2020. The virtual event included presentations by four SWEPCO customers who are EV owners, followed by a series of videos featuring the owners posted on YouTube as part of SWEPCO's ongoing promotion of EVs.

## AEP's Fleet Goal

Leading by example, we announced in September 2020 plans to replace 100% of our 2,300 cars and light-duty trucks with EV alternatives by 2030. Our total fleet comprises nearly 8,000 vehicles, including medium- and heavy-duty vehicles. By converting a portion of medium- and heavy-duty vehicles with electric or hybrid models, we will achieve our goal of electrifying 40% of our entire on-road vehicle fleet in less than 10 years.

Transitioning light-duty vehicles to EVs is standard practice across all of our business units. We'll begin to transition medium- and heavy-duty vehicles, as well as off-road equipment, when electric and hybrid alternatives become available. In addition, we will electrify 50% of forklifts by 2030. The fleet transformation is estimated to avoid 8 million gallons of fuel and to result in savings of \$3.8 million over the life of the vehicles.

Fleet electrification is part of our effort to reduce CO<sub>2</sub> emissions by 80% by 2030 and achieve net-zero by 2050. We have already made significant progress.



In September 2020, we announced plans to replace 100% of our 2,300 cars and light-duty trucks with EV alternatives by 2030.

## Electric Transportation Highlights

### The Electric Highway Coalition

In March 2021, AEP along with several peer utilities announced a plan to ensure that electric vehicle (EV) drivers have access to a seamless network of charging stations connecting major highway systems from the Atlantic Coast, through the Midwest and the South, and into the Gulf and Central Plains regions. The Electric Highway Coalition will provide drivers with effective, efficient, and convenient charging options that enable long-distance EV travel. Sites along major highway routes with easy highway access and amenities for travelers are being considered as coalition members work to determine final charging station locations.

Charging stations will provide DC fast chargers that are capable of getting drivers back on the road in approximately 20 to 30 minutes.



### NSR Consent Decree Electric Bus Expansion

In 2020, we worked with EPA and NSR Consent Decree stakeholders to expand eligibility of mitigation funds under the agreement to cover the incremental (above traditional vehicle) cost of electric school and transit bus replacements. The implementation plan was approved at the end of 2020, and we are working with our customers and communities to encourage them to consider this opportunity and apply for these funds to help them achieve their sustainability goals with electric transportation options. Customers in Indiana, Kentucky, Ohio, Virginia and West Virginia can apply for funding at [www.aep.com/electricbusfunding](http://www.aep.com/electricbusfunding).

## Smart Columbus

We were a founding partner with the City of Columbus in being awarded the U.S. Department of Transportation's (DOT) Smart City Challenge grant in 2016. The Smart Columbus project helps community leaders and organizations understand how electrification can enhance Columbus and positively impact the quality of life. The goals of the program align with our vision to transform the transportation sector and make the grid smarter and more efficient.

Smart Columbus surpassed its grant goals in 2020 with over 3,400 EVs sold and an EV adoption rate reaching as high as 2.34% during the grant term. To support these vehicles, over 900 new EV charging ports were installed in the seven-county region over three years, thanks in great part to the AEP Ohio charging program. We also exceeded our goal to install 10% of charging stations in low-income areas. Although the grant period expired at the end of 2020, Smart Columbus is continuing to promote electrification and renewable energy adoption in partnership with our team.

## Indian Nations Council of Governments

In 2018, the Indian Nations Council of Governments (INCOG) took the first steps toward creating an accessible, user-friendly EV charging network in Oklahoma. INCOG allocated federal highway funding through the Congestion Mitigation and Air Quality program (CMAQ) toward a DC Fast Charging network for the Tulsa Transportation Management Area and Public Service Company of Oklahoma (PSO) provided matching funds to support the installation.

PSO and INCOG deployed the first-of-its-kind ultrafast public EV charging stations in Tulsa in collaboration with the Gathering Place Park, the Oklahoma Aquarium, and the Tulsa International Airport. The FreeWire Boost Charger™ can be deployed quickly in dense, high-traffic locations and can use energy stored in batteries to provide the fast charging, while its internal batteries charge at a lower power from the grid. This allows for lower power input to minimize electrical infrastructure upgrades and reduce ongoing energy demand for site hosts. The project demonstrates PSO's commitment to build partnerships with community organizations to advance electrification while supporting the completion of the EV corridor through America's Heartland.

## GRID RELIABILITY & RESILIENCE

Having a modern, reliable, resilient and secure grid is critical to our clean energy transformation. From 2021 through 2025, we plan to invest approximately \$27 billion on transmission and distribution infrastructure to expand, strengthen and modernize our network. Our investments to strengthen the reliability and resiliency of the grid supports our generation transformation and future forward strategy to a clean energy future.

Together with investments to integrate renewable and distributed resources, we're leveraging data analytics to proactively address reliability and security risks. We're preparing for the convergence of the electric, communications and transportation industries by modernizing the grid to meet our communities' social and economic needs. We are providing customers with access to reliable, affordable and cleaner energy options and opening access to broadband opportunities in underserved areas.

## Reliability Investments

Our network of 260,000 miles of distribution and transmission lines presents the challenge of ongoing maintenance and upkeep, which is undiminished as we pursue modernization. While our transmission and distribution system is built to last, equipment naturally wears over time, which can increase the risk of failure, outages and efficiency loss. To meet reliable system expectations and create the optimal customer experience, we continue to invest in maintenance and upgrades.

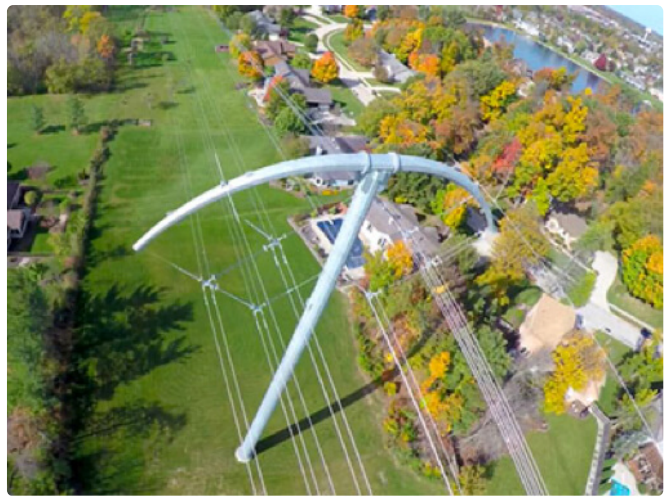
Our transmission strategy focuses on ensuring the grid's reliability, security and efficiency for our customers. Our strategy includes a diverse five-year capital investment portfolio of \$16 billion across 15 states and four regional energy markets – delivering significant customer benefits. Benefits include: higher reliability and resilience; lower energy costs; enabling public policies; customer demand for clean energy; and economic development.

We are also investing in transmission infrastructure to reduce outages and interruption times. We estimate capital investments of \$2.2 billion annually to replace and enhance all assets beyond life expectancy over the next 10 years. We

determine renewal projects based on performance, condition and risk.

We leverage data analytics and digital technology to reduce system failures, increase safety, improve grid reliability and minimize risks. For example, AEP's Asset Health Center (AHC) uses operational and predictive data as an indicator for proactive system maintenance and equipment replacement needs. We minimize risk by identifying safety issues in real time and by prioritizing urgent needs to maintain a robust grid.

We are also leveraging the benefits of Geographic Information System (GIS) technology to capture real-time intelligence about assets and locations. This analysis and insight allows us to view data in an intuitive new way. Location is the common thread connecting all of our data into a single view, enabling us to uncover hidden constraints and opportunities, improve predictive modeling and promote safety while giving us a competitive edge. GIS allows us to rapidly deliver data from the office to the field and vice versa, making information available to those who need it when they need it.

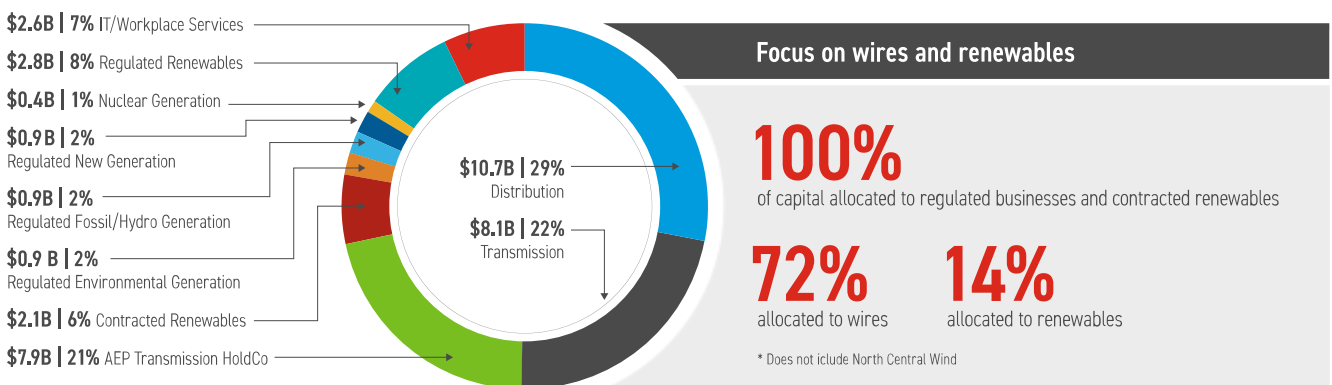


AEP's Breakthrough Overhead Line Design® (BOLD®) technology is an example of groundbreaking innovation designed to improve reliability, grid resilience and services for customers.

We are planning on significant capital investments in distribution over the next five years. Our distribution investment strategy includes:

- Investments to support new services, capacity additions, base material and storm resilience and response.
- Asset renewal and reliability investments including pole, conductor, cutouts, and station transformer and breaker replacements.
- Implementation of automated technology including distribution supervisory control and data acquisition (SCADA), smart switches and reclosers, volt var optimization and sensors. Investments include telecommunication and system components.
- Advanced metering technology.
- AEP-owned energy storage and micro-grid projects connected at distribution voltages.
- Investment in fiber assets to provide middle-mile broadband to rural communities and for company use.
- Investments in electric vehicle charging infrastructure and ownership of charging stations, if allowed.

## 2021-2025 Capital Forecast



## Nuclear Investments

Nuclear energy is one of the most reliable carbon-free sources of electricity. It is a secure source that isn't subject to weather conditions, unpredictable fuel cost fluctuations or an overdependence on foreign suppliers. AEP's Donald C. Cook Nuclear Plant in Bridgman, Michigan, can provide 2,288 MW of carbon-free electricity when operating at full power

– enough to power 1.5 million homes.

We are committed to investing in the long-term viability of this clean energy resource. Cook’s two units originally were designed for a 40-year life, but, in 2005, the licenses were extended by 20 years to 2034 for Unit 1 and 2037 for Unit 2. Our climate analysis assumes we will extend the units’ licenses again.

In 2020, Unit 1 undertook its 29th planned refueling outage. Even in the midst of a global pandemic, Unit 1 completed one of the safest and shortest outages in history. In addition to the refueling of the reactor and the performance of regular maintenance and testing work, the outage included upgrades to the main control room electrical distribution system, and inspections on the main generator. In April 2021, Unit 2 began its twenty-fifth refueling outage, which will also include inspections and upgrades.

The Cook Plant is also part of an industrywide, multiyear strategy to transform the industry and ensure the plant’s long-term capability. The strategy identifies efficiency measures, adopts best practices and applies new technology solutions that improve operations, reduce costs and drive regulatory and market change to ensure nuclear energy facilities are fully recognized for their value and don’t succumb to premature reactor retirements.

## Vegetation Management

Keeping power lines clear from vegetation is a priority for electricity reliability. It’s also an expensive and challenging task because AEP’s service territory includes some of the most rugged terrain across the nation. This makes prevention of outages and equipment failures from overgrown and/or fallen vegetation one of our biggest and most expensive challenges. In addition to maintaining what is growing inside our rights-of-way (ROW), we also evaluate the health of trees outside the ROW as part of our management process.

We manage vegetation growth immediately surrounding our power lines – within our defined easements for operational integrity – with a combination of performance-based (such as targeting low-performing circuits) and cycle-based (regularly scheduled) maintenance strategies. During the past five years, we have spent approximately \$2.3 billion on vegetation management, including \$569 million in 2020.

Operating companies have worked with state regulatory commissions to proactively manage vegetation in regularly scheduled maintenance cycles. We have successfully done this in Ohio, Oklahoma, West Virginia, Indiana and Kentucky.

Executing an effective vegetation management program across our service area is a significant expense that has a direct effect on service reliability and customer satisfaction.

We carefully manage our programs for efficiencies and savings, using a variety of tools and techniques. This includes helicopters for aerial inspections, approved herbicide applications and tree trimming.

Drone technology enables low-cost vegetation management in hard-to-reach terrain. In 2020, Southwestern Electric Power Company partnered with an herbicide application company to deploy drones to manage vegetation along a circuit in a pilot project. This improves safety for our crews, enabling them to apply the herbicide from the ground without a bucket truck and away from overhead live wires. In addition, drone spraying covers more miles faster and eliminates the need for debris removal because the limbs decay over time, which reduces the number of employees on site and eliminates other environmental hazards. Drones were also used during storm damage assessment following Hurricane Laura.

We also continuously evaluate emerging technology and incorporate artificial intelligence in our planning process to maximize efficiencies. We use augmented reality (AR) to determine right-of-way clearance for transmission siting to aid in understanding clearance, vegetation factors and the proximity of obstructions. We also use AR to educate and inform customers of work conducted near their property.



Drones are an effective means of inspecting power lines for regular maintenance and surveying damage after storms.



## Resilience

A resilient electric grid withstands high winds, powerful storms, cybersecurity threats and other disruptions that could cause customer outages. We have a long history of investing in grid reliability, resilience and security. We have more than a century of experience operating and maintaining a reliable electric system, which we call upon to make design updates, establish operational standards, increase threat awareness and adopt effective technological solutions.

We are a founder of Grid Assurance, an industry-led initiative to enable quicker recovery of the transmission grid resulting from a catastrophic event, natural or man-made. Grid Assurance's framework models for high-impact, low-frequency events. It includes maintaining an inventory of critical spare assets for the grid, such as transformers and breakers, which can be promptly deployed. During the global pandemic, Grid Assurance provided a level of resilience with access to key transmission assets when portions of the economy slowed significantly, temporarily halting production and limiting availability of some critical equipment.

We seek innovative ways to serve the needs of specific customers who require a higher level of resilience. In June 2020, Public Service Company of Oklahoma (PSO) signed a 30-year lease with the U.S. Army for the siting of a proposed energy resilience project at Fort Sill. The project will build 36 MWs of natural gas-fired reciprocating internal combustion engine generators and 10.9 MW of photovoltaic solar energy.

In addition to providing more clean energy to the power grid and enhancing power quality and energy supply in PSO's southwest Oklahoma service territory, the project provides critical energy resilience the Army needs to carry out its mission. It would enable the Army to disconnect the new generating facilities from the grid and isolate them to supply 100% of the power needed to sustain Fort Sill's critical missions for at least 14 days in the event of power disruption on the grid. The project is pending approval from state regulators.

## TECHNOLOGY & INNOVATION

Technology and innovation are critical aspects of our strategy to become the energy company of the future. They drive change, improve efficiency and safety, and enhances the customer experience. Accelerating the advancement of technology and innovation transforms the way employees work and deliver new technologies to customers. At AEP, innovation has been part of the fabric of our culture for more than a century.

In May 2020, we named our first Chief Information and Technology Officer (CITO) to lead technology initiatives across AEP. This includes information technology, innovation, digital initiatives and telecommunications. The CITO organization developed a five-year roadmap to support transformational programs that are being planned and executed to build the competencies our business partners need. This includes strengthening internal partnerships to identify new technologies that expand or enhance business opportunities. One focus is on how we are transforming our work. It involves looking at end-to-end processes and mapping out how those processes support advanced data platforms, analytics, technology and automation.

Technology advancements in analytics are making things possible today that were unimaginable not so long ago. We are using these advancements to reinvent what it means to be a modern energy company. We are using data and analytics to solve problems, optimize processes and discover new business opportunities. As we continue to improve data management across our company, we are expanding our use of analytics through technology advancements such as automation, robotics, AI and virtual reality. Already, we have



AEP's virtual qualified observer training provides a safe and immersive experience for employees before entering an actual job site.

completed several initiatives that provide monitoring, prediction and optimization capabilities that did not previously exist. These efforts are enabling us to enhance safety, reliability and customer value.

#### Examples of our efforts include:

- **Field Mobility** – We are reimagining a work system that travels with our field employees and delivers important information on demand, regardless of location. For example, our field employees will have the ability to take photos of a physical asset, such as an overhead line, enter the asset information and associated information into a mapping tool making it widely viewable by other interested parties. The objective is to provide our field workers with the opportunity to do their work more efficiently while seamlessly communicating across all business functions.
- **Radio Program** – We are undertaking the largest telecommunications project in our history to improve communications across remote locations in our service territory. Once complete, our new system will enable dispatchers to work remotely, a critical need during times of crisis such as a global pandemic. Our plans include replacing an estimated 5,700 radios, upgrading 360 existing tower sites and creating an entirely new radio network.
- **Reliability Mapping Tool** – In 2020, we created a new Reliability Mapping Tool that identifies opportunities for reliability improvements much faster. This could help prevent equipment failures that cause outages. Eliminating the need to reference multiple spreadsheets and databases, the tool brings data from our geographic information system together into one place.
- **Qualified Observer** – This virtual reality training module instructs the responsibilities of a line worker performing the role of a qualified observer. Presenting the training via virtual reality reduces potential safety risks through building muscle memory and repeatable exposure. This fully immersive experience allows the training staff to identify and correct behaviors before workers enter an actual job site.

## Energy Technology

We're committed to identifying the best energy solutions for our customers that improve the efficient use of energy, reduce our environmental footprint, enhance customer reliability and strengthen grid resilience. We will achieve this through collaborative research development and deployment of technologies that show promise or are capable of being revolutionary. We'll collaborate with federal, state and local regulators to secure public support. Only then can we arrive at well-researched and tested solutions that balance environmental attributes, cost and reliability considerations.

In 2020, we formed a Grid Solutions team to accelerate the energy transformation and advance a clean energy economy. The team is focused on identifying and implementing the best infrastructure solutions for our customers across the regulated generation, transmission and distribution businesses with an emphasis on seamless integration of the functions. Grid Solutions is responsible for the commercial structuring, acquisition and development of new grid resources, including regulated renewables, dispatchable generation such as natural gas, competitive transmission ventures, distributed generation, energy storage and other emerging on-grid technologies. In addition, they ensure compliance with regulatory and policy requirements while remaining engaged with the Federal Energy Regulatory Commission (FERC) and Regional Transmission Organizations (RTO).

We support the continuing development of cleaner energy options through technology advancement. Such advancements will continue to drive favorable economics of existing clean technologies and potentially provide new options in the future. Technologies of interest include:

- Renewable Energy
- Energy Storage
- Nuclear Energy
- Carbon Capture with Utilization or Storage
- Hydrogen and Other Chemical Energy
- Other technologies as they are identified

As we introduce more renewable generation into our energy mix, the need to invest in energy storage grows. Energy storage can help smooth the flow of power as generation from intermittent resources such as wind and solar varies over time. Storage technology supports local reliability and demand response for our customers, and it is integrated into our distribution and resource planning processes.

We have several energy storage projects throughout our service territory, including three recent projects in AEP Ohio. This

includes a 137.4 kW solar array and a 560 kW/1,200 kWh battery energy storage system for the Columbus Zoo. This microgrid system serves the saltwater life support system providing a constant energy supply to one of the most critical facilities of the zoo. In addition, AEP Ohio has two new microgrids incorporating solar arrays and battery storage at a wastewater treatment facility and a water booster station. Expected to be operational in 2021, both of these projects provide the needed resiliency to endure long-term outages with minimal operational adjustments.

In October 2020, AEP OnSite Partners announced an energy storage plant project that will serve the City of Martinsville in Virginia. The project is the first to leverage technology firm Wärtsilä's new GridSolv Quantum energy storage system. The installation will enable the city to offset peak load periods and more effectively manage their overall energy usage and costs. It also will reduce their reliance on traditional peak energy resources. The energy storage system is scheduled to be operational in the second half of 2021.

We are also investigating and actively pursuing the application of Bulk Energy Storage Systems as transmission assets in situations where they can help to cost-effectively maintain or improve the reliability of the transmission system, compared to traditional options of building new transmission lines or stations.

## Innovative Partnerships for Success

We collaborate with technology experts, developers, start-ups and consortiums to co-develop technologies that are not currently available today. We are developing initiatives and forming partnerships in the U.S. and around the world to scout new innovation technologies, validate them fast, demonstrate their benefits to customers and policymakers, secure timely regulatory support or contractual approvals for innovation and deployment, and deploy them at scale.

We are a founding member of the Low-Carbon Resource Initiative (LCRI), an industry and global partnership with the Electric Power Research Institute, the Gas Technology Institute and technology developers. The five-year initiative, which kicked off in September 2020, will provide a framework, coupled with technology advancements, to leverage existing assets and provide the necessary tools to transition to a low-carbon future. Learn more in the Technology section of [AEP's Climate Impact Analysis Report](#).

We invest in technology funds and start-up companies to enable technology development, gain intelligence about developing business models, and integrate the latest technologies into our business. Examples of our investments include ChargePoint, a comprehensive EV charging network with solutions for every type of business, and Mainspring Energy, who's dispatchable, linear generator provides the flexibility to generate energy using the cleanest fuels available today and in the future. We are introducing these innovations to our customers to enable them to meet their energy objectives.

We also participate in global technology information hubs. We are the only North American member of the Free Electrons Accelerator, a nine-member global energy accelerator whose mission is to create the future of energy. Free Electrons gives AEP direct access to the world's most innovative energy technology entrepreneurs and their solutions. This program allows us to monitor and test global advancements in energy technologies that can help AEP and our customers meet sustainability and electrification goals.

AEP CEO, Nick Akins, serves as Chairman of the Board of the Global Sustainable Electricity Partnership (GSEP). GSEP is a CEO-led alliance of the world's largest electricity companies committed to leading the transformation of the global



The 137.4 kW solar array and 560 kW/1,200 kWh battery energy storage system will help the Columbus Zoo cut energy costs and reduce its carbon footprint.



electricity industry and the energy transition through accelerated clean energy electrification. GSEP provides a forum for CEOs to share their challenges and solutions with each other and with external stakeholders. Through research studies, work programs and their first ever public annual CEO meeting held in May 2021, electric utility members are working to identify sustainable solutions to electrify businesses and communities around the world.

By collaborating with stakeholders, it will be possible for low-carbon, affordable, resilient and reliable electricity to be the lifeline of a modern decarbonized global community and the backbone of digital and connected cities of the future.

## SAFETY & HEALTH AT AEP

At AEP, no aspect of our work is more important than safety and health, whether it is for an employee, a contractor or a member of the communities that we serve. In 2020, the COVID-19 pandemic presented significant challenges to the wellbeing of our workforce. In response, we implemented critical measures to protect employees and enable our front-line workers to continue their work. The pandemic has shown the critical nature of the service we provide as we worked to keep the power flowing to all of our customers.

Zero Harm is at the center of everything we do to protect our employees as well as those we come into contact with. We believe that all injuries and occupational illnesses are preventable. Our five-year health and safety transformation culminated in 2020, which resulted in significant improvement in our safety performance. In addition to no employee fatalities in 2020, our overall safety performance was one of our best historically, demonstrating the substantial impact our transformation efforts had across the company. This included implementing new systems, programs and policies, as well as a structure that focuses on learning, sharing information and making continuous improvement.

Thanks to the commitment and focus of employees and contractors to Zero Harm, Days Away, Restricted Time (DART) injuries were reduced by approximately 34% during this five-year transformation. Many of our teams are already achieving Zero Harm. In 2020, 87% of our work reporting locations did not experience an employee DART event. These numbers represent significant achievements and highlight our ongoing commitment to improving safety and health. We are learning from their experiences how to replicate Zero Harm in all work locations, however, we still have work to do.



## SAFETY & HEALTH INITIATIVES

We have made significant progress in improving our safety culture over the years. While we celebrate these achievements, we also recognize there are still opportunities for growth. Whether assessing our existing safety and health programs or identifying opportunities to improve our standards, we are committed to Zero Harm.

### Response to COVID-19

The COVID-19 pandemic dominated all aspects of our work and personal lives in 2020. Across AEP, employees showed their resilience and dedication to maintaining our safety culture while encountering challenging conditions.

The pandemic created unforeseen challenges for our workforce and the communities we serve. We adapted, refocused and found a deeper appreciation for our fundamental safety behaviors while reinforcing our commitment of caring for our team members.

At the corporate level, the Safety and Health team served as subject matter experts on the virus. They were the main source for up-to-date and relevant information from the Centers for Disease Control and Prevention (CDC) and the Food and Drug Administration (FDA). They also are the link between our leadership team and the company physician.

In the field, the Safety and Health team coached employees on how to distance properly, wear face coverings and adopt new behaviors. As the pandemic began impacting our workforce through virus clusters and hotspots, the team shifted gears and became contact tracers, helping to determine if employees contracted the virus on the job or outside the workplace.

## The Power of Our People: Weathering the Storm During a Pandemic

Hurricane Laura hit the Louisiana coast as a major Category 4 hurricane – one of the strongest to make landfall in the state since 1856. It caused catastrophic damage in Louisiana and the Southwestern Electric Power Company (SWEPCO) territory. Our COVID-19 safety and health efforts were essential in protecting our employees and our peer utilities during hurricane restoration efforts.

When Hurricane Laura hit Louisiana in late 2020, more than 3,000 workers were deployed to support power restoration efforts. Hotel rooms were unavailable as local residents evacuated the area to safety. In response, SWEPCO mobilized base camps to house employees and visiting workers.

Each of the base camps housed 500 to 800 people. With safety and health as the top priority, the bunk trailers were retrofitted with special air filtration systems, and partitions to create compartments that allowed for social distancing, even while sleeping. They were filled to only a third of their capacity and they were sanitized twice a day. When crews checked-in, every individual completed a self-observation questionnaire and a temperature check. They were also required to physically distance and wear a face covering. Third-party COVID-19 observers also helped remind people to wear their masks and keep at least six feet from others when they were in common areas.

The safety precautions during restoration efforts allowed for crews to safely replace approximately 1,600 poles, 750 transformers and 1 million feet of conductor, despite the challenges posed by the pandemic.



Aerial view of the base camp created to house anywhere from 500-800 workers during Hurricane Laura storm restoration efforts.

## Overexertion Injuries



Labels were created and placed on tools and equipment to remind employees about the item's weight.

Overexertions (sprains and strains) are the leading cause of injury at AEP. These injuries can happen in a single event or build up over time. To reduce these injuries, we studied employees' awareness of hazards related to lifting tools, materials and equipment. We learned that employees were more likely to lift items if they were unaware of the item's weight. In response, we created a micro learning program to improve employees' knowledge of ergonomics and awareness of hazards related to lifting. The program consists of short lessons that build upon each other and are designed to make the information easier to retain. The lessons include supervisor guides and handouts to discuss as a team. New weight labels

were created to identify the weight of tools, materials and equipment. The labels are visual reminders to lift safely and serve as a trigger for employees to stop and determine the best ways to lift and move materials.

## Targeted CORE Visit Assessments

Coaching through Observation, Recognition and Engagement (CORE) is a leadership tool used to engage with our workforce and assess a variety of activities. An important part of the Safety and Health Transformation has been ingraining CORE Visits and their principles into our safety culture. Targeted CORE Visits provide a framework to assess elements that present high risk to employees and contractors. They evaluate the knowledge of safety and health policies/procedures and controls that influence outcomes during high-risk tasks. The results identify successes and learning opportunities associated with knowledge gaps. Training materials are provided with actionable information to focus attention on areas where there are gaps allowing us to learn without harm. This process promotes a learning safety culture and sets our employees and contractors up for success in the field to identify issues before they turn into events.

## Serious Injuries and Fatalities Reduction

Although Serious Injuries and Fatalities (SIF) are rare events, we continue working to further reduce these occurrences. Recordable injuries in the electric power generation and delivery sector have steadily declined over the past decade, SIF rates have plateaued. Because SIFs are infrequent, taken in a small sample size they do not necessarily represent any meaningful pattern or trend. To overcome this lack of data, AEP is adopting the SIF Safety Classification and Learning Model, which was developed by the Edison Electric Institute (EEI) and our peer utilities. The model provides employees and contractors with new skills to identify the unique hazards that cause SIFs as well as access to valuable industrywide data.

In 2020, we began the first phase of implementing the SIF model by engaging with frontline employees to decide the best approach for rolling out the program. This work resulted in the creation of materials and a framework to pilot the model with employees and contractors in the field. During the pilot, employees and contractors learned the principles of the SIF model and gained new tools that helped them identify more and different hazards than they had before. They used icons to serve as visual reminders when identifying high-energy sources and used them to build capacity to prevent serious harm. The pilot feedback is shaping the training materials for the companywide rollout, scheduled in 2021.

## Contractor Safety

In 2020, more than 900 contractor companies worked over 33 million hours on our behalf. Having a standardized and common set of systems and processes across AEP is foundational to providing our contractors clear and consistent expectations.

Enhancing contractor safety remained an area of focus in 2020, and a priority of our Safety and Health Transformation. This work included the adoption of a common data collection and communication program for contractors (the VERO Data Management System) and the creation of a common set of Safety and Health Supplemental Terms and Conditions. Additionally, we published a companywide onboarding safety video. All business units will use the video to promote a strong safety message from AEP's leadership outlining work safety expectation. All contractors will be required to view the video before starting work on our projects.

## SAFETY OF THE PUBLIC

Our commitment to safety extends beyond educating and engaging employees and contractors. Our commitment includes keeping the public safe, engaged and educated about electricity and our facilities. Regular communication with the public

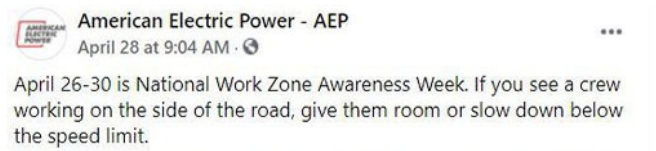
is key to this work, and we engage through multiple channels including social media, videos and direct mail.

We use social media to educate our customers on the importance of electrical safety and share how our employees work safely. At the center of these efforts is the #SafetySaturday series, designed to provide the public with useful and engaging information about electricity. In total, we published close to 1,600 safety messages, generating well over 5 million social media impressions.

We collaborated with the Edison Electric Institute and utilized an external utilities public safety expert to send public safety mailers to select third-party contractors operating within AEP's territory. These contractors received electrical safety guidance, which was specifically geared toward physical workers who might work near overhead or underground wires. Additional electrical safety materials are available in multiple languages.

We also support safety education at local schools across our service territory. Through a third-party contractor, National Theatre for Children, AEP Texas helped teach children about electrical safety. Because of the pandemic, NTC changed from live performances to digital livestream and conducted 79 performances, reaching approximately 22,000 students in 52 elementary schools across the AEP Texas Service area in 2020.

Despite our education and outreach efforts, unfortunately, two public fatalities occurred in our service territory in 2020 due to electrical contact. We remain committed to educating the public about electric safety and bringing awareness to potential hazards to the public.



We use social media to educate our customers on the importance of electrical safety. This includes our #SafetySaturday series, designed to provide the public with useful and engaging information about electricity.

## The Power of Our People: AEP Line Servicer Halts Dangerous Tree Trimming

In 2020, Line Servicer Brandon Scott was responding to a power outage in Columbus, Ohio. Upon arriving at a customer's property, he saw a landscaping crew in a precarious spot in the backyard. They were attempting to trim a massive silver maple tree – approximately 65 to 70 feet tall – and had already improperly made a deep cut into its trunk. A huge limb was hanging dangerously close to AEP's power lines. In addition, the workers had failed to see the metal cable braces supporting the heavy branches.

Scott recognized the hazards, so he asked the crew to stop their work immediately while he called for support from AEP's Forestry Department. His quick reaction and questioning attitude potentially saved lives that day. The work was stopped, the line was de-energized, and professional tree trimmers were called to the scene. They secured the branches with ropes and were able to safely remove hazardous limbs piece by piece until proper distance of clearance from our equipment was achieved. Scott's actions demonstrate AEP's commitment to Zero Harm.



AEP Line Servicer, Brandon Scott, stopped landscapers from a potentially deadly tree trim.



## WORKFORCE SAFETY & SECURITY

Whether in the field or in the office, we believe every employee should feel safe and secure while at work. Our quest for Zero Harm reaches beyond occupational safety and health to include employee and workplace security. As a result, we have developed policies, procedures and training to increase employees' ability to recognize, report and respond to workplace aggression.

While we take measures to ensure our employees' physical security at work or while on the job, we also stress the need for situational awareness at all times. We offer several workplace safety training initiatives to teach our employees to think about safety not just at work but at home and in public as well.



While in the field or in the office, we believe every employee should come to work feeling safe and secure.

Remote work due to the global pandemic added another layer of concern, and isolation put more focus on domestic violence. During this time of increased stress and isolation, domestic situations that are already unstable could turn violent or existing abuse could accelerate. With many people working from home, the lack of in-person interaction on site hinders our ability to identify clues of violence, drug and alcohol abuse or other potential violent situations. In response, we released videos and education courses to inform employees about what domestic violence is, how to spot warning signs, and what to do if you are a victim or suspect that someone might be a victim.

In addition, we provide workplace safety and security training:

- **Active Shooter Response:** An interactive and virtual exercise to build situational awareness of employees' surroundings and identify ways to respond and protect.
- **Customer Threat and Aggressive Behavior:** For our field employees, this includes de-escalation techniques when someone threatens the safety of our employees.
- **How to Recognize Workplace Aggression:** Employees learn how to identify workplace aggression warning signs and behavioral indicators, and learn what to do if someone displays these signs.

## HUMAN CAPITAL MANAGEMENT

Human capital management (HCM) is one of the most significant corporate governance issues. It sits at the crossroads between investors, the workforce and customers and is increasingly viewed as material to long-term performance and risk mitigation. Corporate practices and policies relating to issues such as safety and health, compensation, diversity, equity and inclusion, well-being and culture are considered key aspects of a company's competitive strategy. It can also impact a company's reputation and is essential to innovation and adaptation to new technologies.

In 2020, the pandemic and racial and social unrest underscored the strategic importance of HCM. At AEP, our people are mission critical to our success and we support them through a culture of engagement, mutual care and inclusiveness and a commitment to Zero Harm.



The pandemic necessitated putting additional safety measures and protocols in place to protect our workers who needed to continue working in their normal work environments.

## Protecting Our Employees During the COVID-19 Pandemic

Keeping our employees safe during the pandemic was a top priority for AEP. Providing them with the necessary protection and support became our main focus. In March 2020, we launched a companywide effort to shift more than 60%

of our workforce to remote work. To facilitate this change, we provided technology, tools and solutions for our newly remote employees. In addition, the pandemic necessitated putting additional safety measures and protocols in place to protect our workers who needed to continue working in their normal work environments. We increased the frequency of communications and resources to keep all employees engaged, and we provided them with additional benefits and other forms of support to ensure their well-being and work/life balance. All of this was done without losing sight of our commitment to building a corporate culture of engagement, collaboration and empowerment. Learn more about how we protected our workforce during the [COVID-19 pandemic](#).

## Future of Work

Our workforce of the future will look very different than it does today. So, too, will the work that we do, as well as where and how we do it. We were already working to frame the future of work before the pandemic. Our efforts were accelerated as we made the shift to remote work environments and implemented new precautions for front-line workers. The shift has also created new opportunities for attracting talent, providing employee development and building culture, as well as highlighting the important role technology plays in keeping us all connected.

Our Future of Work (FoW) initiative includes an assessment of four work classifications, otherwise known as the distributed work model: remote (non-AEP location), hybrid (mixture of working at an AEP location and remote), onsite and field. Based on our learnings, the FoW team is enhancing tools, technology, training and policies to support the distributed work model. In addition, we are exploring opportunities to redesign workspaces to meet our future business needs.

The benefits for employees who work remotely or in the hybrid work model include:

- **Zero Harm Benefits:** Reduced driving for thousands of employees (positives for employees and the environment).
- **Flexibility for Employees:** Ability to flex around needs at home or with family, as well as ability to work from locations other than the office.
- **Retention and Recruitment:** Decreased office attendance provides us with an opportunity to evaluate the potential for employees to expand living locations, as well as the potential for AEP to access broader employee markets.
- **Office Space Optimization:** Allows for the adaptation of our office space, which yields cost savings and efficiencies.

The longer we are in this pandemic, the more we are learning – identifying risks and impacts to our employees and culture. We conducted pulse surveys to measure how the organization is responding to working remotely. The survey results indicated that by and large, employees adjusted well and are productive in the remote environment.

Technology investments proved critical to providing employees with the tools they needed to successfully work remotely. We provided our employees with secure digital tools and resources; completed a major upgrade to our internet connectivity, adding 10 times more network capacity; and supported our employees through training and tools to enable them to be successful. The FoW team will continue to analyze options for improved collaboration tools to enhance efficiency and effectiveness of our distributed work model.

We are identifying and anticipating changes within our business units that may be needed as we implement new work models. We are conducting extensive research and analysis to understand our current workflows and the way employees currently do their work. We are also asking ourselves whether it is more cost-effective and efficient to hire contractors, to engage third parties or to use process automation. This allows us to be more flexible as business needs and skillsets change as well as to become more efficient. It also enables us to focus finite resources on the work that is most critical to meeting customers' needs.

Balancing culture, employee experience and flexibility with cost savings is imperative throughout this journey. The transition will challenge our culture, driving and challenging us to find new ways to stay connected with team members and foster a workplace of inclusiveness – regardless of where people are located.

## CULTURE OF ENGAGEMENT

A high-performance culture forms the foundation for long-term success. An engaged, collaborative and empowered workforce is more likely to embrace a change mindset, drive continuous improvement, accept accountability, meet expectations, take ownership, and value personal growth. We are committed to driving our culture forward.



**GALLUP EXCEPTIONAL  
WORKPLACE AWARD**

To measure our progress, we conduct an annual employee culture survey through Gallup, Inc. This was especially important in 2020 as our workforce responded to both work and personal impacts that the pandemic caused. We achieved significant improvement in nearly every aspect of the survey and 93% of employees participated in the survey marking our best participation since we began measuring our progress.

For the second year in a row, AEP was recognized for its culture journey with the annual Gallup Exceptional Workplace Award in 2021.

Our goal was to achieve top-decile performance by 2023, which we achieved three years ahead of schedule. In 2020, we achieved the 91st percentile – an improvement compared to our 87th percentile ranking in 2019. In addition, we improved our scores on nearly every index we measure, including diversity and inclusion, accountability and engagement. The survey also included a question about personal well-being that allowed employees to candidly share their experiences through open comment. The results give us a strong foundation upon which to plan the Future of Work. Although our results are very positive, we are always seeking opportunities to grow and improve.



**culture survey  
participation rate**



AEP placed in Gallup's  
**91st percentile**  
for culture scores



AEP's overall grand mean  
score improved from 4.23 in 2019  
to **4.30** in 2020

## The Power of Our People: Celebrating Our Best Friends at Work

When we began conducting an annual employee culture survey, one question sparked great debate and conversation all across the company. Employees were perplexed and divided on how to respond to the statement “I have a best friend at work,” asking “what truly defines a best friend” and “why is this question in AEP’s culture survey?” One employee was inspired to demonstrate to others what it meant to him.

In 2018, Sam Queeno, director of Digital ID and Physical Security, created “Best Friend Fridays” as a fun and light-hearted way to talk about this infamous question. Every Friday he records a conversation with other employees. He began conversations with his team and has since extended it to others from across AEP. Queeno uses costumes, skits and humor to help others understand what it means to have a best friend at work.

“People think ‘best friend’ is some magical term. I see it as someone that you care about – you have their back, and they have yours,” Queeno said. “You may not always like the people you work with, but you’d still help them because they’re part of the AEP Family.”

In 2020, Best Friend Friday became virtual events with Queeno interviewing 45 different best friends including AEP’s Chairman, President & CEO Nick Akins.

## WORKFORCE PLANNING & DEVELOPMENT

Transformational change requires a vision and leadership to inspire, motivate and engage. As we prepare our workforce for the future, we are fostering an environment that encourages collaboration, innovation and communication no matter where we work. Through training, development and growth opportunities, employees are acquiring the skillsets needed to align with our strategy for a clean energy future. This is especially important as we move toward a digital and more distributed work model that requires a flexible, innovative and diverse workforce.

Through the Achieving Excellence Program and other efforts, we have been preparing for anticipated changes in our industry and workforce. For example, we took steps to manage the financial challenges created by the pandemic. While we were able to largely insulate our employees from the most damaging economic impacts resulting from the pandemic, we took steps to proactively manage our cost structure to benefit customers, investors and employees. In 2020, we offered an early retirement package for eligible employees, opening up the opportunity to organize our company for the future while creating new growth opportunities for employees.

We anticipate approximately 4,300 employees will leave or retire from 2021 through 2025. We see this level of turnover across our workforce as an opportunity to identify our future talent needs within AEP and to continue to diversify our workforce.

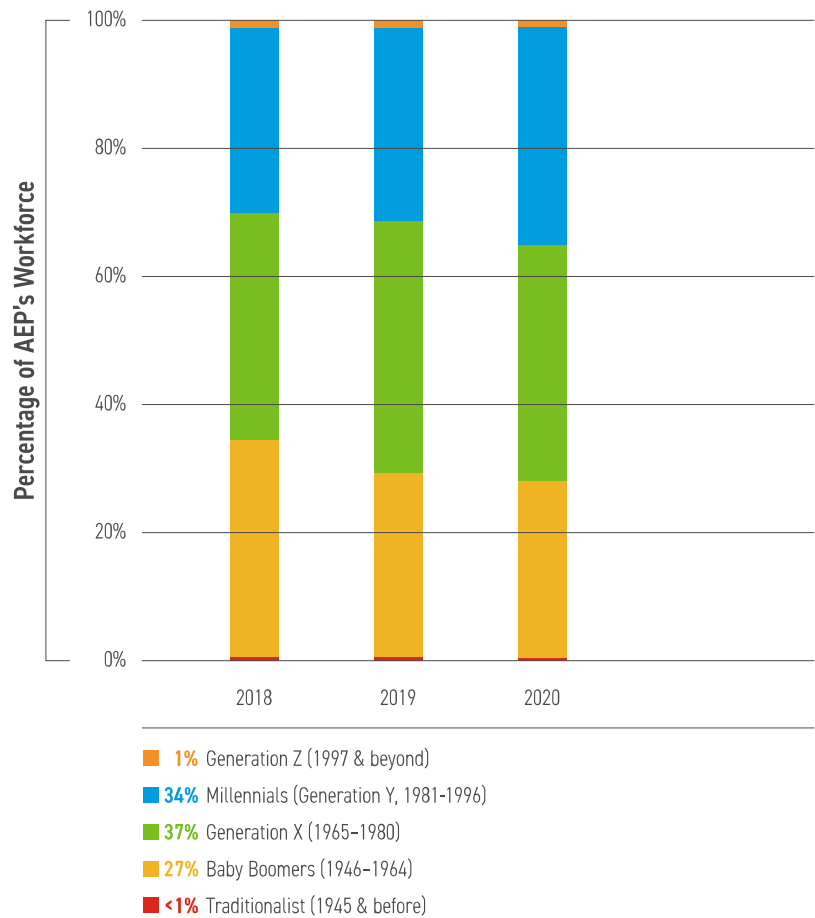
In addition, the global pandemic created new ways of looking at how and where we perform our work. Remote and hybrid work provides many benefits for our employees and company, including cost savings and flexibility. It increases our access and ability to hire diverse candidates with unique experiences, beliefs, ideas and backgrounds.

One challenge we must address is the shortage of skilled labor, such as line mechanics. We have workforce development initiatives focused on eliminating barriers to hire qualified and diverse line workers. In our Transmission and Distribution departments, we have two Line Mechanic Apprentice training programs registered with the Department of Labor. We grant journeyman status to all program graduates. In addition, eligible veterans may apply their GI Bill benefits while in the apprenticeship program. We currently have more than 800 apprentices, with more than 50 using their GI Bill benefits. From 2017 through 2020, we trained and qualified close to 620 apprentices to advance to nationally recognized journey worker status. Apprenticeship training has proven to be a safe and effective way to reduce skilled labor shortages.

We are collaborating with the Business Roundtable (BRT), the Ohio BRT, the International Brotherhood of Electrical Workers through our Joint Apprentice Training Committee (JATC), and universities and community colleges throughout our operating regions to meet our future business needs. Together we are working to implement educational programs to provide students, as well as current and future AEP employees, with the tools to transition into these new skillsets.

Public Service Company of Oklahoma (PSO) has a strong education and internship partnership with Oklahoma State University IT Associate in Applied Science in High Voltage Lineman and, the new Cherokee Nation Associate Program. In addition to training on campus, students can receive hands-on technical training from an accredited program and then take advantage of paid internships to gain additional first-hand knowledge and experience, some even participating in storm restoration efforts. Graduates begin work as line mechanics and advance to supervisors, job superintendents, labor

### AEP Workforce Demographics



leaders, power line estimators and contractors. Oklahoma State University also has a Power Plant Technology program that enables students to gain hands-on training on cutting-edge technology and equipment. Paid internships, a requirement for this program, ensure students learn and gain real-world experience before they graduate.

In 2021, we plan to expand the line worker recruitment and development program. This program will attract, qualify and retain more line workers, while optimizing training costs. The team will develop a recruitment and training playbook that provides recruiting guidance and standardization. The scope involves implementing the line worker internship program to all operating companies and expanding the trade school and higher education partnerships. We are designing and implementing a standard technical bridge between pre-apprentice/intern to formal training program (onboarding) program.

One example includes launching a comprehensive recruiting and training program designed to increase the number of women in the AEP line worker role in 2021. In partnership with Dress for Success Columbus, the goal of the program is to remove historical biases and barriers hindering women from entering line work through the creation of opportunities that set the stage for long-term career success. It will provide technical training, career readiness, mentoring, training, wrap-around support services and pre-apprentice educational assistance that will potentially lead to full-time employment with AEP.

## Repositioning Our Employees

The decision to retire a coal plant has profound life-changing implications for the hundreds of employees and contractors who operate and maintain the plants, including support staff throughout the company. It is not uncommon for a power plant to employ generations of families or serve as a major employer in the community. Our employees are loyal to the plants and their communities, so closure often brings challenges that include finding new employment; learning new skillsets; obtaining additional education, certification or training; and sometimes relocation. As we transition to a clean energy future, we are working with our employees to help them make the transition as smoothly as possible. Among the resources we provide when plants are on track for retirement include:

- On-site support to provide training for applying for jobs and calculating pension benefits.
- Education assistance repayment forgiveness (normally, if employees leave the company less than a year after completing a degree, they would repay AEP; this is forgiven for affected plant employees).
- Engaging outplacement services to help employees prepare for re-entering the workforce, resume building, improving interview skills, etc.
- Inviting outside organizations such as a state's worker displacement unit, to work with employees on how to apply for jobless benefits.
- Holding internal job fairs with other business units to inform employees about different types of job opportunities that exist within AEP.
- "Loaning" plant employees to other AEP business units (e.g., Transmission) to learn about other jobs and job opportunities.
- Encouraging plant employees to shadow peers in other business units (such as a line crew, welder or mechanic in Distribution or Transmission).

Learn more about how AEP supports a Just Transition in our [Climate Impact Analysis Report](#).

## PREPARING OUR FUTURE TALENT PIPELINE

At AEP, our talent strategy includes preparing our workforce for the future by providing opportunities to learn new talents and engaging higher education institutions to better prepare the next generation with the skills that we will need. We are also building a pipeline of future talent by investing in our Credits Count<sup>SM</sup> STEM education program. We are investing in our talent recruiting efforts to become more effective at connecting our new, cutting-edge work roles with today's top candidates.

Our alliances with community colleges, universities and vocational and technical schools across our 11-state service territory supports the development of our talent pipeline. We work with these institutions to develop academic programs that will prepare employees for upward mobility opportunities and to attract external job seekers interested in careers in our industry. Our education partners include The Ohio State University, Columbus State Community College, Mid-East

Career & Technical Centers, Texas State Technical College, Prairie View A&M University, Morgan State University, Tennessee State University, Bridge Valley Community & Technical College and Oklahoma State University Institute of Technology, among many others.

In 2019, AEP joined several other regional businesses in launching the Office of Talent Strategy (OTS) at Columbus State Community College. OTS will focus on the development of a talent strategy to fill in-demand workforce needs now and in the future. OTS is securing staff, has honed a mission with the business partners and is taking initiatives and partnerships built under Credit Counts, along with other program incubation efforts, and leveraging those into the next phase of talent pipeline development efforts.

In October 2020, Columbus State Community College was awarded the experimental grant we jointly proposed to the Department of Education. We are working with Columbus State to prepare to hire current federal work-study-eligible IT students, specifically for cyber security, for the 2021-2022 academic year. The students hired will have completed at least two semesters of IT coursework and have received "Career READY" status (approved resume, mock interview and elevator pitch) from the college. Our participation in the Department of Education's federal work study experimental site program will provide us with access to a larger IT talent pipeline when these students finish school.

In Oklahoma, PSO actively participated in the Oklahoma Energy Workforce Consortium (OEWFC) Oklahoma Careers in Energy Week, promoting careers in energy. The OEWFC cites the impending workforce shortage as a major driver for its mission. Most schools have or are implementing STEM programs and curricula to meet the workforce demands.

We also have robust co-op and internship programs across a variety of business units. In spite of the pandemic, we were able to provide development opportunities for more than 50 college co-op students, interns and high school interns in 2020. One example of how we were able to do this is through the adaptation of our College Co-OP model. In lieu of suspending the program, we converted the program to a virtual format that allowed students to engage with AEP teams and work on projects in a virtual setting. In addition, we developed a new standardized outreach, onboarding and recruiting process that can be applied company-wide for all internship and co-op programs.

## Supporting Our Veterans

We actively support, recruit and hire military veterans. We educate, train and prepare them to successfully transition into rewarding energy industry jobs. Our talent acquisition team builds direct relationships with military facilities across the country to provide veterans with a pipeline to careers at AEP. We invest in attracting veterans because they have the technical training, experience and personal characteristics that make them a great fit for careers in the energy industry. They also bring a mindset of safety, which is a core value of our business, making them attractive recruits for our company.

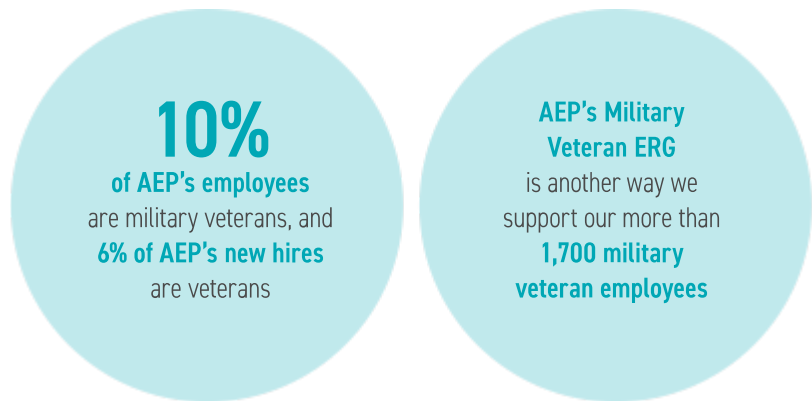
We encourage veterans to actively seek and apply for jobs at AEP that match their training and skills and we partner with external initiatives designed to provide veterans with mentoring services, career development opportunities or skills matching services, such as [U.S. Army Partnership for Youth Success \(PaYS\)](#). In early 2020, AEP signed an agreement with the Department of Defense to become part of the [Skillbridge program](#). In addition to outreach at local military facilities, we have a dedicated careers webpage at [www.aep.com/careers](http://www.aep.com/careers).

In 2020, the U.S. government awarded AEP the Honoring Investments in Recruiting and Employing American Military Veterans (HIRE Vets) Gold Medallion. This prestigious award recognizes American employers that are most committed to recruiting, hiring and retaining military veterans.



Nick Akins, CEO, speaks to high school students as part of our Credits Count<sup>SM</sup> STEM education program.

## Supporting Our Veterans



### Military veteran benefits provided in addition to AEP's traditional benefits:

Paid time off to attend funeral services for a service member with whom they have served.

Pay differential for employees in the Reserves or National Guard who are ordered to active duty in emergency situations.

## Workforce Investment

We provide development opportunities for employees at every level, whether through informal professional development or formal development programs. Several of our Employee Resource Groups and utility professional groups, such as Women's International Network of Utility Professionals (WiNUP), sponsor programs and events that focus on employee education, career advancement and personal and professional development.

Transmission & Distribution University (TDU) is one way we are building a guided learning path to support career advancement for our employees. TDU enhances learning, performance and retention; implements processes and systems to provide flexible learning options and increased access to resources; equips trainers with tools and resources needed to optimize learning; ensures all employees are trained, qualified and competent for work; and gives employees more control of their learning path and development. In 2020, TDU pivoted to virtual learning to ensure a continuation of employee development in a safe and healthy manner. Members of the TDU Team are trained and certified through The Ohio State University's Developing a Curriculum (DACUM) and Systematic Curriculum & Instructional Design (SCID) processes. These processes are the foundation for the TDU Learning Paths and Curriculum.

We also provide a broad range of training and assistance that supports lifelong learning and transition development. This includes performance coaching; operational skills training; resources to support our commitment to environment, safety and health; job progression training; tuition assistance; and other forms of training that help employees improve their skills and become better leaders. In 2020, our employees completed more than 775,000 hours of training in programs for which we track participation. In addition, we invested more than \$2 million in employee education, supporting more than 1,000 employees through our tuition reimbursement program.

## CARING FOR OUR WORKFORCE

When prospective employees are considering their career options, they look for companies that share their values, offer competitive wages and benefits, provide opportunities for learning new skills and achieving career advancement, and allow flexibility to balance work and personal interests. AEP offers a comprehensive set of benefits and programs to support employees across a wide range of situations, including:

- Medical (includes same-sex partner benefits)

- Dental
  - Vision
  - Critical illness plans
  - Accidental death insurance
  - Health care flexible spending account
  - Life insurance (and supplemental)
  - Long-term disability insurance
  - Training programs
- 
- Legal services
  - Vacation purchase program
  - 401(k)
  - Wellness program
  - Employee Assistance Program
  - Financial planning
  - Adoption assistance
  - Tuition reimbursement
  - Retirement benefits

How we treat and take care of our employees is a commitment that we take to heart. We are committed to the wellbeing of our employees and ensuring they have a safe and productive work environment; achieve financial security; feel supported, heard and engaged; have access to healthcare for their physical and mental health; have networks and camaraderie that provide social support; and feel included and connected to the mission and values of our company. Today, we provide a wide range of programs that support employee well-being. This includes a wellness program, financial planning and advice experts, mental health benefits and counseling, adoption assistance, culture efforts, volunteerism, employee resource groups, and many other benefits that support employees in their personal and professional lives.

In 2020, we started “safe space conversations” to encourage open dialog among employees regarding issues of race and biases, and to improve understanding about how diversity shapes and enhances our culture and relationships. Learn more in the [Diversity, Equity & Inclusion section](#).

As employees dealt with unprecedented challenges and personal demands from the COVID-19 pandemic, we offered additional support and assistance such as pay and leave programs and mental health support. Learn more in the [COVID-19 section](#).

AEP is committed to disclosing our human capital management performance as it serves as a strong indicator to our workplace environment and employee wellbeing. This includes:

- [New Employee Hires, Employee Terminations and Employee Turnover](#)
- [Average Hours of Training per Employee](#)
- [Percentage of Employee Receiving Regular Performance Reviews](#)

## The Power of Our People: Women’s Leadership Council Podcast

The global pandemic and racial and social unrest brought to light important issues such as employee safety and health; diversity, equity and inclusion; the value of technology; and the desire for personal and professional engagement. Adjusting to the new norm required us to be agile, innovative and empathetic to the needs of our employees.

In 2020, the AEP Women’s Leadership Council (WLC) kept these objectives in mind when they created a podcast and blog series to engage women and men across the organization on important issues, including racism, the benefits and challenges of working from home, and ways to identify development opportunities in a distributed work environment.



The Women’s Leadership Blog is a platform for employees to share powerful content on careers, culture, and connection. Podcasts provide an environment for our employees to have safe and candid conversations. The honest and relatable stories also help our employees recognize that everyone’s journey, awareness and experience is different, setting the stage for empathy, understanding and friendship. The work of the Women’s Leadership Council serves as an accelerator for progress toward a more diverse and equal future.

## LABOR RELATIONS

Nearly one-fourth of our workforce is represented by labor unions. We value the relationships we have with our union-represented employees and believe in a trusting, collaborative and respectful partnership with them. We are working with our labor partners to strengthen these relationships to ensure we have a culture that attracts and supports employees who can adapt to the rapid changes occurring in our company and industry. Our partnership with labor unions is critical to meeting the growing expectations of our customers. We also have multiyear contracts in place to enhance

continuity for both the company and our workforce. Due to the unknown post-pandemic economic impacts on our company and organized labor unions, we agreed to extend our current contracts by one year.

Our relationship often goes beyond the confines of a contract. Together, we are expanding our focus on safety and culture while enhancing productivity. We are working with labor leaders to support infrastructure development across the nation while developing the talent pipeline and skills needed for the future. Our partnership with organized labor is instrumental with regulatory, legislative and rate-related issues. We share many common interests on the policy front and collaborate on issues important to each of us. Our labor-management relationship continues to strengthen as our workforce becomes more flexible, creative and engaged.

We continue to be a leader in the planning and organizing of the annual National Labor and Management Public Affairs Committee (LAMPAC) meeting. This collaborative effort of labor and management is designed to bring together energy company executives and leaders from the IBEW to advance the common objectives of the electric power industry and IBEW members.

Learn about how we are working with our labor unions affected by the retirement of coal-fueled generating units in our [Climate Impact Analysis Report](#).

### 2020 Organized Labor at AEP

Labor Unions	Number of Employees
International Brotherhood of Electrical Workers	3,149
Utility Workers Union of America	476
United Steelworkers of America	282
United Mine Workers of America	106
International Union of Operating Engineers	2
<b>Total</b>	<b>4,015</b>

As of 12/31/20

## DIVERSITY, EQUITY & INCLUSION

In 2020, racial and social justice movements took center stage in the public consciousness as activism for equal rights, social equity, racial justice and public safety grew at an exponential rate. Many companies took a stand on social issues, seeking to be part of the change, whether through corporate activism or social responsibility. AEP was among them. We value a supportive, inclusive business environment for our employees that reflects the diversity of the communities where we live, work and operate. We are committed to providing opportunities for all employees to advance and unlock the power of perspectives to better serve our customers, drive innovation and generate sustainable growth for our company.

Diversity, equity and inclusion are key components of our business strategy. A diverse, inclusive and highly engaged workforce not only improves organizational performance but also improves company culture – creating an environment that welcomes different experiences, beliefs, ideas, backgrounds and thoughts. It also is essential to remaining

competitive and being able to attract and retain the best talent.

**Our Diversity & Inclusion Vision:**

We are committed to a culture where differences are valued and recognized as a significant, positive influence on AEP’s ability to serve and support our employees, customers, suppliers and other key stakeholders.

**AEP Employee Representation**

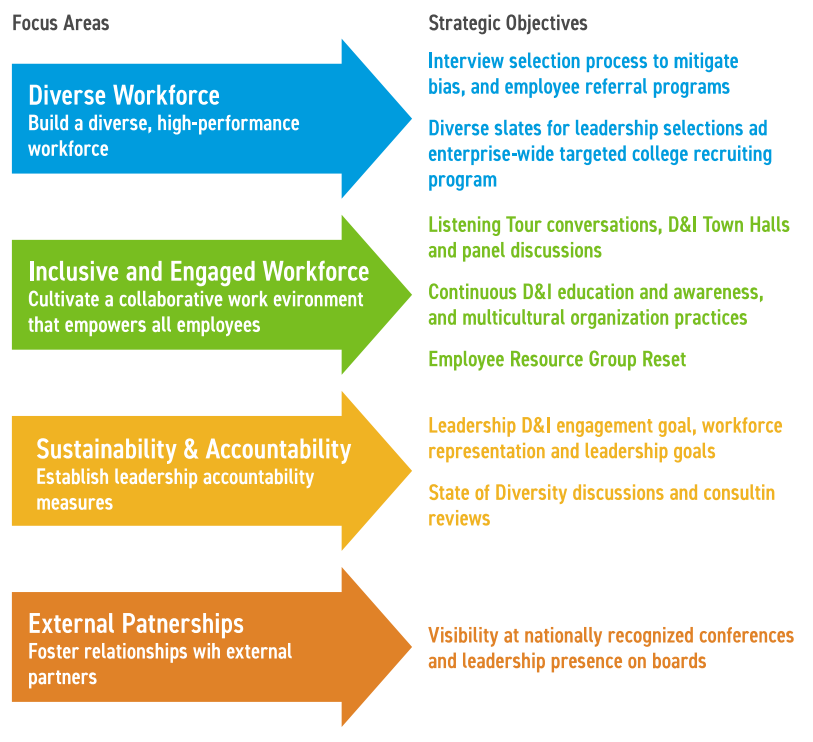
as of Dec. 31, 2020	Employees	Females	%	Minorities	%
Total Employment	16,864	3,325	20%	3,187	19%
Officials & Managers	3,175	538	17%	419	13%
Professionals	5,600	1,535	27%	1,140	20%
as of Dec. 31, 2019	Employees	Females	%	Minorities	%
Total Employment	17,487	3,454	20%	3,233	18%
Officials & Managers	3,326	543	16%	419	13%
Professionals	5,743	1,578	27%	1,128	20%

\* Does not include all AEP subsidiaries, co-ops and interns, AEP Energy and employees on paid leave-of-absence.

We continue to work on our Diversity & Inclusion Strategic Plan Roadmap to 2025 and we are making progress. The Roadmap sets goals and targets to increase the inclusion and advancement of underrepresented groups such as women and people of color, and establishes leadership accountability. To help foster these efforts, we will measure our 2021 progress to enterprise, business unit and operating company annual incentive compensation objectives. These objectives are measured through anonymous responses to questions in the annual employee culture survey, relative to Gallup’s overall company level database.

In addition, the Human Resources Committee of the Board of Directors provides independent oversight of our compensation and human resources policies and practices, including an annual review of our diversity and inclusion strategy, results and compliance with equal opportunity laws.

**Diversity & Inclusion Strategic Plan Roadmap to 2025**



The importance of diversity and inclusion extends beyond our workforce to include the customers and communities we serve and our suppliers. Learn more in the [Supply Chain Diversity section](#).

We are committed to disclosing our diversity performance and other human capital management data, including:

- [EEO-1 Summary](#)
- [Ratio of Basic Salary and Remuneration of Women to Men](#)
- [Incidents of Discrimination and Corrective Actions Taken](#)
- [Gender, Race and Ethnicity Workforce Diversity](#)
- [Board Diversity](#)

**A Call to Action**

The racial and social unrest that swept across the country led to a nationwide call for race education and awareness. In response, we took a bold stand denouncing all forms of racism and committed to have candid conversations about the impact of race and racism in the workplace. AEP’s Chairman, President and CEO joined nearly 2,000 other CEOs as a

signatory to the [CEO Action for Diversity and Inclusion](#) pledge, the largest CEO-driven business commitment to advance diversity and inclusion within the workplace. We also supported a City Council resolution in Columbus, Ohio, declaring racism a public health crisis.

We believe that to move forward, we have to understand how race, racism, biases and beliefs impact the workforce. That is one reason we launched the “Seize the Moment: Let’s Keep the Momentum Going” action plan to help accelerate our diversity and inclusion strategy.

#### Elements of “Seize the Moment” include:

- **Town Hall Webcasts:** We created a series of town hall webcasts featuring AEP employees sharing personal experiences of biases and racism. The intent of the webcasts is to help employees navigate conversations about race and hear others’ perspectives. Conversations focused on topics such as biracial marriage; being the only one in the room; and, the history of racial inequality and white privilege in America, featuring a renowned antiracist activist.
- **Leader Video Conferences:** We conducted a “Let’s Talk” session with the top 20 African American leaders at AEP to discuss their experience and challenges as leaders. In addition, we brought in a renowned antiracist activist to speak to our top 250 leaders about racism in the workplace. During the session, leaders were asked to take a personal inventory of how race has affected their lives and encouraged organizations to take a radical inventory of policies and procedures at all levels, such as hiring, job evaluations and procurement practices.
- **Safe Space Conversations:** We facilitated virtual “Safe Space Conversations” for employees to discuss how current race and equity issues impact them in the workplace and in their personal lives. AEP’s Diversity and Inclusion (D&I) liaisons were trained to lead the discussions.
- **Stand Up for Diversity:** AEP leaders will participate in a companywide Stand Up for Diversity to have candid and focused conversations about racism.
- **Leader Videos:** Several of AEP’s leaders created video messages to raise awareness about the importance of diversity, equity and inclusion at AEP.
- **Social and Racial Justice Grant Program:** We are expanding the AEP Foundation’s philanthropic reach to help address social justice in our service territory. We created a new social and racial justice grant program “Delivering the Dream.” With a multi-year \$5 million commitment, our intent is to play a pivotal role in eliminating systemic racism and embrace change and equity for neighbors of color, customers and employees. We want our corporate words on these important issues to match with visible actions. Learn more in our [Community Engagement](#) section.



## The Power of our People: Driving the Conversation

The racial and social unrest that swept across the country led to a nationwide call for race education and awareness. During 2020, issues of racism and social inequities were brought to light. Our employees were often at the forefront of leading change.

Marketta Franklin, Director of Transmission and Distribution Learning and Development at AEP, organized a group of employees to support the interactive portion of the TEDx King-Lincoln Bronzeville event. Sponsored by AEP Ohio, the event was held in an historic African-American area in Columbus, Ohio, which is home to the historic Lincoln Theater and the King Arts Complex. This neighborhood was the heart of an affluent African-American business and entertainment district in the 1930s and '40s. The name TEDx King-Lincoln Bronzeville commemorates the history and contemporary vibrancy of the area.

The 2020 theme was “Kwanzaa 365: Driving the Conversation Toward Liberation”. Its goal was to highlight the diversity of the neighborhood and show how their experiences connect to national and global narratives. Speakers shared stories about how to live the Kwanzaa principles throughout the year and promote diversity in schools, government and healthcare.



## Partnerships for Success

We fuel our diversity efforts through a number of internal and external initiatives, programs and partnerships. Through educational institutions, professional associations, community organizations, employee resource groups (ERGs) and leadership development forums, we focus on building and fostering partnerships that give us greater access to diverse talent.

We are proud to support and participate in a number of partnerships, including [Paradigm for Parity®](#), the CEO Action for Diversity & Inclusion™ pledge, and the [Columbus Commitment: Achieving Pay Equity](#), and we recently announced our commitment to the [City of Tulsa’s Pay Equity Pledge](#) in Oklahoma. We also have relationships with many diverse organizations such as the National Society of Black Engineers, Prospanica and Human Rights Campaign (HRC). These partnerships provide access to more diverse talent and help us become a recognized partner and leader among potential employees. We also have alliances with several colleges and universities that are helping us develop a diverse talent pipeline.

In addition, we are committed to providing a trusting and inclusive work environment by empowering employees to engage and lead in our Employee Resource Groups (ERGs). Our ERGs reflect the diverse makeup of our workforce and provide valuable insight into the diverse communities we serve. They also help increase engagement across the company by giving employees a safe space to discuss work-related issues and to develop innovative solutions. ERG members are active community volunteers supporting efforts such as Project Mentor and Make a Difference Day. ERGs are integral to AEP’s diversity and inclusion efforts, including recruitment of new employees.

### ERGs at AEP

- Abled and Disabled Allies Partnering Together (ADAPT)
- African-American Employee Resource Group (AAERG)
- Asian-American Employee Partnership (AAEP)
- Hispanic Origin Latin American (HOLA) Employee Resource Group
- Military Veteran Employee Resource Group
- Native American Employee Resource Group (NAERG)
- Pride Partnership
- Valuing Organizational Improvement and Community Excellence (VOICE fosters an inclusive work environment that promotes respect and value of employees through cultural awareness)

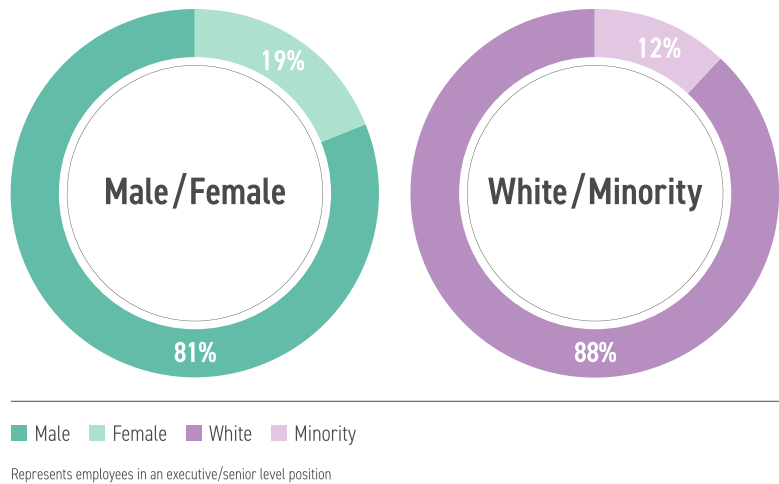
## LEADERSHIP DIVERSITY

Social movements for racial and gender equity and inclusion underscore the importance of strong corporate governance and leadership diversity. Having leaders and board members with different experiences, generations, genders, and racial and ethnic backgrounds provides us with a broader perspective on issues both inside and outside of our company. It

allows leaders to represent the diverse workforce with which they lead and advances us to a place of viewing differences as strengths, while encouraging candid and tough conversations in order to make change.

We receive recognition for our leadership diversity efforts at the board level and beyond. In 2020, AEP was recognized by 2020 Women on Boards as a Winning “W” Company for the third consecutive year. The recognition is for Russell 3000 companies whose boards have 20% or more seats held by women. As of April 2021, 50% of AEP’s board is represented by minorities and women.

## 2020 Executive/Senior Leadership Diversity



In 2020, AEP’s Chief Diversity and Inclusion Officer, Karen Ashley, received the Top 50 Chief Diversity Officers Award from the National Diversity Council and the Person of the Year Race for Excellence award by the National Black MBA Columbus chapter. In addition, the President and Chief Operating Officer of Public Service Company of Oklahoma (PSO), Peggy Simmons, was chosen for the 2021 Top 100 Most Influential Women in Energy award by the National Diversity Council. As of April 2021, 50% of AEP’s board is represented by minorities and women.

Leadership diversity lays the foundation for enabling a more inclusive workforce that breaks down silos and creates a trusting, engaging and collaborative work environment. We set specific targets to champion the attraction and promotion of diverse leaders. While we are making progress in our journey, we still have a ways to go. As our company and strategy evolves, we are working to reset goals and build upon the foundation we have put into place.

## Board Composition

**8 YRS**  
AVERAGE  
TENURE

**92%**  
INDEPENDENT  
11 of 12 directors are  
independent

**25%**  
MINORITY

**33%**  
WOMEN

Represents 2021 data after annual meeting on 4/20/21

## The Power of our People: Women in Nuclear Leadership Program

Kelly Ferneau, Cook Plant Manager at AEP, was one of 12 women selected to participate in the inaugural U.S. Women in Nuclear Women’s Leadership Cohort program. The 12-month pilot program is the first of its kind in the nuclear industry and aims to elevate strong female leaders. It was developed and produced by U.S. Women in Nuclear, with sponsorship and support from the Nuclear Energy Institute. Women selected are on track for executive level positions across the nuclear industry.

Women continue to be under-represented in STEM-related jobs and in the nuclear industry, especially in top leadership positions. This program will help build relationships within the cohort group and with industry executives to provide a strong and sustainable career network. These female leaders will gain new skills and additional training to help their companies achieve their long-term business goals. Ferneau’s selection is a groundbreaking accomplishment, and we are proud to have her represent AEP’s next generation of leadership.



Kelly Femeau, Cook Plant Manager at AEP, was selected to participate in the inaugural U.S. Women in Nuclear Women's Leadership Cohort program.

## CUSTOMERS

Technology is changing the way our customers use energy and how they prefer to communicate with us. We are committed to delivering a personalized experience for our customers by engaging with them through their channel of choice, and technology is the driving force behind our efforts to improve. We continue to explore how we can best leverage digital solutions to expand our platforms and channels. By personalizing engagement, improving efficiency of existing channels and integrating new technology, we're elevating the customer experience and delivering excellent service.



As we transform digitally, customer care will continue to become more fluid in terms of how it occurs – whether in a digital channel, on the phone or both.

### Supporting Our Customers During COVID-19

As the COVID-19 pandemic began to impact our service territory and the nation, we maintained high-quality customer service while keeping our customer operations employees safe. More than 80% of our customer operations associates, who are part of our essential workforce, transitioned to working from home as part of our mission to give employees still working in call centers room to provide for social distancing. IT quickly located laptops and shipped them to employees so they could do their jobs safely and efficiently. The transition proved to be successful, and customer operations is exploring the possibility of having additional associates work from home post-pandemic. The pandemic brought immense financial insecurity for many of our customers. With stay-at-home orders in effect across the country, reliable energy service became more important than ever. Read more about how we supported our customers during the pandemic in our [COVID-19 section](#).

### The Power of Our People: Listening to Our Customers During a Time of Need

Our customer care agents typically are the employees our customers interact with the most. As the friendly and helpful voices who field customer phone calls, they're crucial to ensuring a great customer experience. During the COVID-19 pandemic, their skills proved more important than ever. Charlie Petry, a business solutions associate based in Hurricane, West Virginia, embraced being the "face" of AEP for our customers.

In his role, Petry works with business customers and non-residential accounts managing standard customer service tasks. When the economy began to feel the impact of the pandemic, he and his colleagues fielded an increase in calls from businesses asking for help with their bills.

Petry was part of a team at AEP trained to help customers understand and leverage the loan and federal and state relief options that were being offered.

"Our jobs and our customers' jobs and lives have changed so much," Petry said. "I think one of the greatest services we provided was just being here to listen to our customers, some of whom faced the loss of their life savings and the investments they made in their businesses. Being able to help someone who is in dire need is so fulfilling, satisfying and rewarding."

Petry's dedication to our customers and his ability to lead with empathy exemplifies the level of service we strive to provide to our customers every day.

## ENGAGING CUSTOMERS IN THEIR CHANNEL OF CHOICE

In today's digital world, there are countless ways to communicate. We continue to expand the methods customers can use to reach us while constantly evaluating and improving the channels available. No matter how our customers choose to connect with us, we're dedicated to responding to their needs more efficiently and cost-effectively.

## Customer Care Transformation

The expansion of digital channels continues to be a key strategy. We are focusing on providing our customers the ability to access self-service solutions based on their need for timeliness and engagement. As we transform digitally, customer care will continue to become more fluid in terms of how it occurs – whether in a digital channel, on the phone or both. We continue to invest in technology, continuous improvement, and training to provide a seamless experience for customers and equip our Customer Care agents with information to meet customers' needs.

## Expanded Self-Service Offerings

Customers can reach us through many channels and complete multiple tasks without the need to talk to an agent. In addition to our website and mobile offerings, customers can find solutions using our automated phone system (IVR) and two-way text. Rising customer expectations and the need to support more sophisticated customer interactions across various channels are driving the need to deliver a better customer experience. In 2021, we launched a digital assistant named Aepril. Aepril can be accessed through our website or IVR and offers an automated way to complete common tasks. Paying their electric bill or setting up payment arrangements are a few examples of tasks customers can complete without the assistance of a person.

## Customer Perceptions

We are listening to our customers and using their insight to transform how we provide customer care. In 2020, we expanded the feedback gathered through our Voice of the Customer Program and began proactively surveying customers. These surveys assess our customers' satisfaction with our service and brand including power quality, communications, billing process and community involvement. Listening to our customers also helps us identify opportunities to make it easier to do business with us.

For the first time, Southwestern Electric Power Company (SWEPCO) ranked the highest among midsize utilities in the South in the J.D. Power 2020 Electric Utility Business Customer Satisfaction Study. SWEPCO scored highest for power quality and reliability, billing and payment, and customer contact. The J.D. Power study examines overall business customer satisfaction across six factors: power quality and reliability; corporate citizenship; price; billing and payment; communications; and customer contact. This award demonstrates SWEPCO's progress in advancing technology, tools and communication to better provide our customers with an excellent customer experience they deserve.

In addition, SWEPCO was presented an Emergency Response Award by the Edison Electric Institute (EEI) for helping restore power following several large storms in 2020. Emergency Response Awards recognize recovery and assistance efforts by EEI member companies following service disruptions caused by extreme weather or other natural events. During these storm events, crews encountered all types of adverse weather and other conditions, including flooding, high winds, extreme heat, varying terrains and dangerous wildlife. Not only were these conditions challenging, crews had to navigate the health and safety concerns of COVID-19.





## Data and Analytics

Customer needs and behaviors are constantly changing. Data and analytics inform and help us respond to these changes. In 2020, we implemented a speech-to-text program that converts customer calls into transcripts. By digitally analyzing these transcripts, we hope to gain more information about why customers are calling and the issues they're experiencing. As we expand our digital channels we also are establishing robust monitoring to ensure our customers are completing transactions with as little effort as possible. These metrics will provide insight into where we can offer additional self-service capabilities, continue to match customer preferences and drive continuous improvement.

## Social Media

Customers and other stakeholders frequently choose to contact us through social media platforms. Our Social Media Center team continues to positively shift customer sentiment while protecting our brand. Customer Care Specialists monitor social media seven days a week, including holidays, so a customer who contacts us through Twitter or Facebook receives a quick response, often within minutes. We added Nextdoor to our channels of engagement in 2020 as we continue to evaluate the best platforms for interacting with customers.

Social media channels were important for communicating about our response to the COVID-19 pandemic and our support for customers and communities. We used our social platforms to share information about policy changes, what we were doing to keep customers and our employees safe, and payment and assistance programs for customers who were struggling. During 2020, we proactively shared more than 1,800 COVID-related social media messages that had almost 170,000 engagements (likes, comments and shares).



Our Social Media Center team play an important role in communicating with our customers. In 2021, they had more than 21,000 one-on-one conversations with customers and stakeholders.

Our service territory experienced three significant hurricanes, in addition to summer and winter storms in 2021, and our Social Media Center team shared outage and safety information, while assisting customers who lost service. Our social media professionals had more than 21,000 one-on-one conversations with customers and stakeholders in 2020, almost double the previous year. Approximately 40 percent of those conversations were about outages, restoration estimates, safety hazards and other storm-related topics. In addition, the Social Media Center provided creative and analytical support to help operating companies effectively communicate with customers.

## CUSTOMER ASSISTANCE & PAYMENT OPTIONS

Financial hardships can make it difficult for some of our customers to pay their energy bills. This past year was especially difficult for many due to the COVID-19 pandemic. Government-sponsored energy assistance programs provided approximately \$92 million in federal and private energy assistance to our customers across our service territory in 2020 – a 41% increase compared to 2019 – in response to the pandemic. Financial hardship was experienced across AEP's service territory as well, where the median income is 20% below the U.S. average and 96% of our customers live in counties where the median income is below the national average.

In 2020, we received more than 24,200 pledges totaling more than \$6.7 million in energy assistance from our self-serve agency websites. The funding available to support our energy assistance programs comes from a variety of sources, including the government, social service agencies and voluntary customer contributions. Income guidelines determine eligibility.

Throughout our service territory, we help customers gain access to energy assistance. Our success rests on building strong partnerships with community action agencies, community based organizations, faith-based organizations and food banks.

For example, in 2020, Indiana Michigan Power (I&M) provided customers with information on income qualified energy efficiency pilots, education regarding our Low Income Customer and Senior Citizen Discount Programs, education on customer assistance programs including extended payment arrangements, Energy Share, and income qualified energy efficiency program updates. In addition, I&M made a \$25,000 contribution to Southwest Michigan Community Action Agency for Energy Share, which grants hardship assistance to help qualified customers with their bills.

Learn more about some of the energy assistance programs helping customers in our service territory:

- [Low Income Home Energy Assistance Program \(LIHEAP\)](#)
- Appalachian Power: [Neighbor to Neighbor Fund](#) add [Light a Life Program](#)
- AEP Ohio: [Emergency Rental Assistance Program](#), [Neighbor to Neighbor Program](#), [Ohio PIPP Plus](#)
- Kentucky Power: [Home Energy Assistance in Reduce Temperatures program](#), [Temporary Heating Assistance in Winter program](#)
- Indiana Michigan Power: [Neighbor to Neighbor Fund](#), Energy Share
- Public Service Company of Oklahoma: [Light A Life Fund](#)
- Southwestern Electric Power Company: [Neighbor to Neighbor Fund](#)

## Energy Assistance Provided to Help Customers Pay Their Electric Bills in millions

Operating Company	2018	2019	2020
Appalachian Power	\$24.1	\$27.9	<b>\$40.1</b>
AEP Ohio	\$7.2	\$7.4	<b>\$13.1</b>
Public Service Company of Oklahoma	\$13.3	\$11.2	<b>\$14.4</b>
Indiana Michigan Power	\$12.1	\$9.2	<b>\$7.7</b>
Southwestern Electric Power Company	\$6.9	\$5.9	<b>\$8.4</b>
Kentucky Power	\$2.7	\$3.2	<b>\$7.8</b>
<b>Totals</b>	<b>\$66.4</b>	<b>\$64.8</b>	<b>\$91.7</b>

\* Funds provided by various company, community and government resources

## Flexible Payment Options

Our customers want simple and secure payment options through multiple digital channels. In response, we are continuing to simplify the payment processes, including working with regulators to structure rates that absorb or recover credit card fees. We also are implementing more flexible payment options, including pre-pay and basing required customer payments on their previous year's energy use.

We also provided billing and payment relief during the COVID-19 pandemic. Read more about how AEP supported our customers in the [COVID-19 section](#).

## COMMUNITY

Giving back to our communities is fundamental to our vision of powering a brighter future. Through volunteerism and corporate giving, we proudly support the vibrancy and resilience of the communities we serve – as an energy provider and a system of community support. As 2020 brought many unexpected challenges, our support of our local communities became a lifeline for many. In 2020, AEP and the American Electric Power Foundation donated nearly \$38.5 million to support more than 1,200 community organizations.



### AEP Community Connections Reports

## Supporting Our Communities During COVID-19

The COVID-19 pandemic profoundly impacted our customers and communities. The AEP Foundation donated nearly \$4 million in emergency funds to support basic human needs during the pandemic. Grants were made across our service territory to nonprofit organizations addressing hardships faced by customers and communities. As the pandemic and its effects linger on, we will continue to support our local communities through direct financial support and employee volunteerism. Learn more about our efforts to support our employees, customers and communities in the [COVID-19 section](#).

## Social and Racial Justice Grants

The social and racial unrest that swept across the country led to a nationwide call for race education and awareness but also for dismantling barriers and policies that contribute to systemic and structural racism. We are committed to fostering a culture where differences are valued and recognized as a significant positive influence on our ability to serve our employees, customers, suppliers and other key stakeholders. We want to match our desire to strengthen diversity, equity and inclusion in our local communities with visible actions.

Beginning in 2021, we are expanding the AEP Foundation's philanthropic scope through the creation of a Social and Racial Justice grant program: "Delivering On the Dream." The grants will play a pivotal role in addressing systemic racism by directing funds to support non-profits that are focused on outcomes that enhance social and racial justice. This new \$5 million, multi-year program will provide funding to local and national organizations with operations and/or active programs within our footprint to embrace change and equity for neighbors of color, customers and employees. We also will encourage employees to make personal commitments as allies and advocates and support events that create greater collaboration within communities for equity and racial justice.

## Investing in Education

In 2020, we made a significant portion of our philanthropic giving to education programs from pre-kindergarten through higher education with a focus on science, technology, engineering and math. Focusing on STEM provides a pathway out of poverty for urban and rural youth. Many 21st century jobs will require proficiency in STEM courses, and these jobs have a high likelihood of delivering a living wage.

Credits Count<sup>SM</sup>, the signature program of the AEP Foundation, addresses the issues of college preparedness and affordability for underserved urban and rural students who seek to explore STEM careers and gain college credit toward a professional credential or an associate's degree while still in high school. The Credits Count<sup>SM</sup> program, funded by the AEP Foundation in partnership with local community colleges and public school districts, operates in all seven AEP operating companies.

Since the program's creation in 2014, the AEP Foundation has committed nearly \$16.7 million to the program across our service territory. The program supports students through college readiness testing, middle school STEM exploration opportunities, summer and in-school support to enhance science, math and language proficiency; tuition and materials, as well as earned credits toward college and college scholarship awards for those who continue in a degree or credentialed field of study. We recently renewed our program partnership with Columbus State Community College for another five

## Philanthropic Giving Corporate & AEP Foundation

	2018	2019	2020
Arkansas	\$182,515	\$490,849	\$821,922
Indiana	\$2,874,554	\$2,900,136	\$3,476,058
Kentucky	\$502,627	\$678,166	\$792,337
Louisiana	\$1,262,107	\$617,728	\$649,722
Michigan	\$1,002,976	\$577,434	\$903,300
Ohio	\$13,588,375	\$14,160,172	\$20,489,327
Oklahoma	\$648,412	\$1,678,159	\$3,928,988
Tennessee	\$72,882	\$69,160	\$55,543
Texas	\$1,742,257	\$3,024,319	\$3,376,537
Virginia	\$1,505,815	\$1,302,213	\$1,343,901
West Virginia	\$1,134,545	\$2,367,745	\$2,102,905
Other*	\$981,558	\$1,755,26	\$587,717
<b>Total</b>	<b>\$25,498,563</b>	<b>\$29,621,342</b>	<b>\$38,528,261</b>

\* Giving to organizations outside AEP's Service area or those that benefit multiple states.

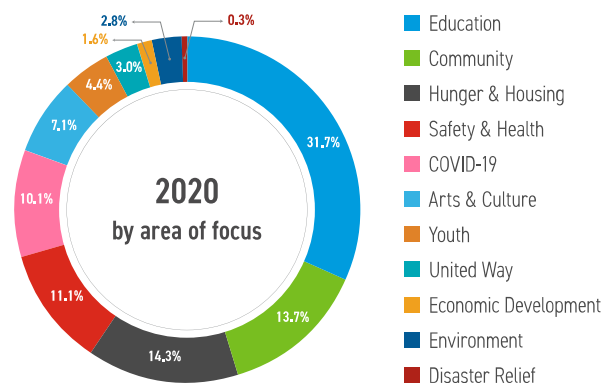
years and will evaluate future funding with our other current partners.

- Nine Future Farmers of America (FFA) chapters in eastern Oklahoma are receiving a share of a \$25,000 grant after being named recipients of this year’s AEP Foundation FFA STEM After-School grants. These grants go to programs that help advance agricultural education, foster innovation and inspire success. The AEP Foundation recently announced a \$200,000 grant to fund the grant program for another five years.
- The AEP Foundation awarded the West Liberty University Foundation with a \$25,000 grant to assist in its distance-learning project. This project will greatly advance the school’s ability to provide distance-learning opportunities for students and recruit faculty from a larger talent pool. Distance learning is critical due to the pandemic and the necessity of remote instruction.
- In January 2020, the AEP Foundation donated \$100,000 to the Texarkana College Betty and Buddy Ludwell Workforce Training Center. The funding will support the purchase of advanced manufacturing training equipment to train students in electrical technology, instrumentation and industrial technology programs. Students trained on the new equipment will develop applied skills for equipment that was previously taught in theory.
- AEP supported hands-on STEM education for elementary through high school students with a total of \$197,750 in FIRST robotics grants to 152 teams in 10 states. FIRST is a global organization inspiring students to be science and technology leaders through robotics competitions at various grade levels.

## Supporting Basic Human Needs

Community organizations play a pivotal role in enhancing the well-being of their citizens as well as the social fabric of their communities. These organizations provide assistance for housing, food, education, skills training and more. Community organizations help bridge the gap between the potential of an individual to be independent and the obstacles to success that person might face. In 2020, through corporate giving and the AEP Foundation, we contributed nearly \$5.5 million toward hunger, housing and food insecurity.

Charitable Giving by Area of Focus



- In December 2020, Appalachian Power donated \$50,000 to food banks across West Virginia, Virginia and Tennessee. The donations helped 16 local food banks and feeding centers provide food during the high-use winter season.
- The AEP Foundation provided relief to Appalachian Power’s service area early in the pandemic through the donation of \$288,000 to food pantries and similar organizations, \$73,000 to create free Wi-Fi hotspots at schools and community centers, and \$120,000 to United Way organizations to provide facemasks and other personal protective equipment (PPE) to staff, volunteers and clients.
- As part of a \$375,000 five-year pledge to the Community Food Bank of Eastern Oklahoma’s Rural Produce Program, the AEP Foundation on behalf of Public Service Company of Oklahoma (PSO), gave \$75,000 in 2020 to help provide fresh produce to customers living in rural areas.
- After the restoration efforts of Hurricane Laura, utility crew base camps were demobilized leaving excess food behind. SWEPCO sent truckloads of frozen foods and dry goods from these camps to help restock depleted food supplies at the Natchitoches Parish Schools and the First United Pentecostal Church. SWEPCO made additional donations to Northwest Louisiana food banks and a Central Louisiana sheriff’s office after Hurricane Delta.
- In central Ohio, the Mid-Ohio Food Collective provides about 140,000 meals every day to help stabilize families, connect hungry neighbors with community services and work with communities to address the root causes of hunger. The COVID pandemic led to a 30% increase of people using their services for the first time. In 2020, the AEP Foundation made grants to the Collective totaling more than \$1.2 million, including a \$100,000 grant for emergency COVID relief. Additionally, the Foundation has committed \$3 million to the agency’s three-year Campaign to Re-Imagine Ending Hunger.

## VOLUNTEERISM AT AEP

Supporting community projects and programs requires more than financial support. It requires time and labor to make progress possible. Every year, AEP employees from around our service territory give their time, talent and financial donations to a variety of organizations in the communities where we live and work. Our employees are a consistent force making our communities stronger and better when times are good and when hardship strikes.

The AEP volunteer spirit prevailed even in the face of the COVID-19 pandemic. Employees from across the system applied for and received AEP Making a Difference grants to help local nonprofit organizations in their service territory. From Tulsa, Oklahoma to Pikeville, Kentucky, and points in between, 47 organizations received grants of up to \$300 each. Teams of employee volunteers worked with the organizations to conduct virtual or COVID-safe back-to-school, food and clothing drives, beautification projects and more.

In 2021, we will enhance our corporate-wide volunteer program with a more robust tracking tool to capture the good work being done by our employees. We hope that the new tool will encourage employees to sign up for unique volunteer events and significantly increase the time our employees spend volunteering to support their local communities.

### The Power of Our People: Read to Me Day Goes Virtual

In 2020, Appalachian Power marked the 20th anniversary of its annual Read to Me Day event. Read to Me Day is an important community event for Appalachian Power employees and in 2020 they found a creative way to ensure the 20th year of Read to Me Day was a success. The event usually involves employees reading books in-person to students at more than 400 elementary schools in our West Virginia, Virginia and Tennessee service territory. In 2020, Read to Me Day was transformed into a virtual event, with a collection of 20 read-aloud videos created, to commemorate the 20th year of the program.

Schools received a Teacher's Guide with links to each of the 20 videos. Teachers could show the videos in the classroom, share them in virtual classes, or provide the links for the students to access them on their own. Included with the guide was a copy of this year's book for their school library, *Hidden Figures: The True Story of Four Black Women and the Space Race*, by Margot Lee Shetterly.



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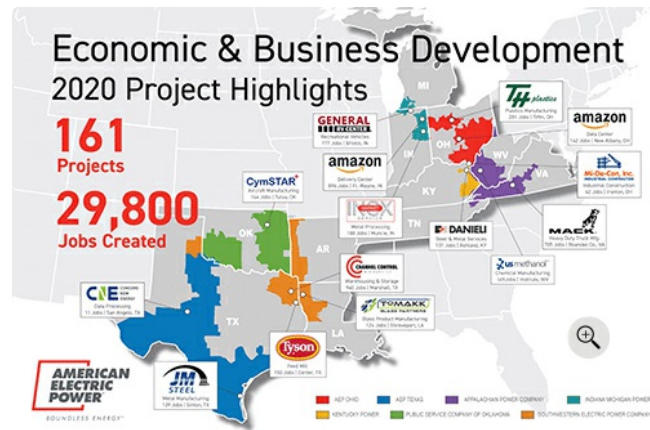
## ECONOMIC AND BUSINESS DEVELOPMENT

Building strong, vibrant and sustainable communities requires innovation, investment and collaboration with state, regional and local business partners. AEP's Economic & Business Development (E&BD) team puts its expertise and partnerships to work ensuring the economic vibrancy of our communities. Economic development helps our communities in several ways, including increasing the tax base, job development, economic diversification and capacity building for long-term sustainability. Through training, education and financial support, we work to strengthen the economic vitality of our communities to attract jobs, which in turn, builds a stronger social safety net.

In 2020, the E&BD team facilitated, partnered with, and supported approximately 160 projects that will bring nearly 30,000 jobs across our 11-state service territory.

In recognition of the impacts from the pandemic, Appalachian Power donated \$50,000 to local and regional economic development organizations across its three-state service area. The funds were used to help organizations with expenses related to enabling virtual meetings, online research and digital marketing.

Our National Customers team manages corporate relationships with many of our largest customers to provide customized solutions to meet their energy needs. Support from this team became especially important during the COVID-19 pandemic. In 2020, we hosted webinars for our commercial and industrial (C&I) customers and personally reached out on a regular basis to discuss their concerns and payment strategies.



## Awards & Recognition

- *Site Selection* magazine named American Electric Power one of the nation's Top Utilities in Economic Development.
- The Edison Electric Institute (EEI) recognized AEP's National Customer Account team for its outstanding customer service. Recognized for the past 11 years.
- Indiana Michigan Power was inducted into the Indiana Manufacturers Association (IMA) Hall of Fame for outstanding contributions to the development of a healthy, dynamic business environment in Indiana, and to the state's overall economic well-being.

## Growing Businesses & Powering Economies

For more than a century, AEP has provided comprehensive support for businesses relocating or expanding in the AEP region. This includes custom market analysis; property searches; advising them on incentives, and infrastructure and energy solutions; as well as access to our network of local economic development partners and industry resources. [Learn more about this program](#) and the location of quality sites in AEP's service territory.

Beyond current customers, we proactively identify and manage business relationships with prospective customers in target industries, both domestic and foreign domestic investment (FDI) across the AEP system. This effort can be a key resource for capital, job creation and innovation.

In 2020, INOX Market Service, an Italian stainless steel processing company, announced plans to build a \$15 million headquarters in Muncie, Indiana. INOX's nearly 140,000-square-foot facility will bring more than 100 jobs to our community. The announcement capped a years-long effort by our E&BD team, who had been providing the company with attractive sites in Muncie. To close the deal, we offered INOX an Economic Development Rider credit.

## Identifying New Business Opportunities

We actively support industries experiencing high growth while also focusing on new business development opportunities. Two recent initiatives focus on supporting supply chain resiliency and indoor agriculture.

The shortage of personal protective equipment and other essential items during the global pandemic exposed the fragility of global supply chains. The potential for logistics challenges from trade conflicts and other supply chain disruptions is shifting the industry's focus from cost cutting and efficiency to diversification and resiliency. In addition, rising global energy, labor and transportation costs makes domestic manufacturing and sourcing competitive and attractive. President Biden and his Administration's executive orders on "Made in America", along with an increased focus on environmental, social and governance (ESG) issues contribute to companies evaluating the impacts of overseas sourcing and production. The expansion of manufacturing in the U.S. is a growing opportunity for economic development in our communities.



For more than a century, AEP has provided comprehensive support for businesses relocating or expanding in the AEP region.

In response, our E&BD team is leading a strategic initiative centered on supporting U.S. manufacturing. Through this initiative, we are targeting existing AEP customers and suppliers, as well as potential new-to-AEP customers that may be considering shifting some or all of their overseas production to the U.S. and/or may be seeking more domestic U.S. sources for their supply chains. We joined two key reshoring organizations that specifically work with companies to analyze the cost advantages of domestic U.S. production and sourcing.

As part of the initiative, we are assessing our own internal supply chain for opportunities to buy local and expand supplier diversification. Bringing manufacturing opportunities to our local communities could help revitalize some of our most economically challenged areas – creating jobs, taxes and economic vitality.

Traditional farming has also been impacted by the COVID-19 pandemic. Border closures, quarantines and supply chain disruptions accelerated issues of food insecurity and logistical challenges of transporting critical food supplies over long distances. One way this is being addressed is through indoor agriculture - indoor facilities that grow produce using a combination of electric lighting, HVAC equipment, technology and building controls. Indoor agriculture has numerous environmental benefits, can produce higher food yields, is climate and weather resistant, and can help address food insecurity in underserved areas. It also opens up opportunities for electric utilities to play a key role in site location, electric load growth and load-shifting flexibility, energy management, and rebates and incentives.

Our E&BD team has focused on assisting key players in the indoor and alternative agriculture space for several years. One community in our Appalachian Power territory will benefit from the world's largest vertically integrated indoor aquaculture facility. Located on the boundary of Tazewell and Russell counties in Southwest Virginia, this \$228 million facility will have a significant impact on the economic vitality of the region, which was negatively impacted by the closure of coal-fueled power plants and mining facilities.

The Electric Power Research Institute (EPRI) is leading an indoor agriculture investment study to gain insights on operational models' impacts, the impacts of weather conditions and resource consumption, and how facilities can affect grid operations and support sustainability. Through this study, EPRI is deploying 320-square-foot container farms around the country. AEP Ohio, Public Service Company of Oklahoma and Southwestern Electric Power Company are participating in the pilot at three locations. AEP's E&BD team is leveraging their Geographic Information System (GIS) mapping to identify and inform location decisions. The insights will be invaluable as we look to prepare our infrastructure and local economies to support this new growth opportunity.

## Supporting the Federal Sector

The federal government and the armed forces are an important customer segment and growth area for AEP. We provide electric service through our regulated utilities to over 3,500 federal accounts. Our team works to help our federal and military customers meet their sustainability and resiliency goals, including those required by law and executive orders. The federal government has a comprehensive framework that calls for using resources more efficiently and acquiring more energy from renewable resources.

In 2020, Public Service Company of Oklahoma (PSO) signed a 30-year lease with the Army to install an energy resilience project on approximately 81 acres at Fort Sill, located near Lawton, Oklahoma. If approved by the Oklahoma Corporation Commission, the \$117.9 million project will include the construction of 36 megawatts (MW) of gas-fired electric generation and 10.9 MW of solar panels. This project adds more clean energy to the power grid, improves the safety and security of grid modernization efforts, and increases energy supply diversity. The new natural gas units will provide greater resiliency and reduce service disruptions for customers. The project will also help balance the system as PSO integrates more intermittent renewables into its generation fleet.

In February 2020, Southwestern Electric Power Company (SWEPCO), along with its Energy Service Company (ESCO) partner was awarded a Utility Energy Service Contract (UESC) for Red River Army Depot (RRAD). SWEPCO will provide RRAD with comprehensive energy and water efficiency improvements and demand reduction services. This UESC project has the potential to encompass a broad range of energy conservation measures, including system upgrades and recommissioning, deep retrofit projects, renewable energy, cogeneration plants and microgrids.

## Supporting a Just Transition

Our E&BD team plays a significant role in the Just Transition and revitalization of some of the hardest hit communities impacted by fossil-fuel plant closures. As we shift from fossil-based electricity to cleaner resources such as wind and solar, there are human and economic impacts including loss of jobs at the plants and in the broader economy; loss of taxes that support public services, including education; and decreased economic activity that is supported by the plant's ecosystem.

We have long embraced our responsibility to support our workers and our communities and help them acquire and find new skills, new industries and new partnerships that enable them to diversify, thrive and be resilient. Our E&BD team is activated early, often years ahead of a planned retirement. This gives us the time to assess options and scout the area for other developable properties in or near the impacted communities that may be more marketable than the plant site itself. At the same time, we provide resources such as grants and research, including workforce analysis. Learn more in the Just Transition section of our [Climate Impact Analysis Report](#).





## ENVIRONMENTAL, SOCIAL & GOVERNANCE DATA

At AEP, we understand the importance of providing clear, accurate and consistent data and information in a timely manner. AEP's ESG Data Center reflects our commitment to transparency by proactively sharing data and information about our sustainability goals, strategy and environmental, social and governance performance. This demonstrates that we are listening to our stakeholders and addressing issues that are most relevant for our business.

We also map our sustainability performance to several frameworks, including: TCFD, SASB, CDP and GRI Reports.

### ESG Reports

The metrics and data points for the ESG Data Center are gathered from several sources, including GRI, CDP and EEI ESG/Sustainability Report. The quality control and assurance process for the data center differs from that of the 2020 Corporate Accountability Report, and is not included in the scope of the internal audit process.



**ESG Data Center**



**ESG Data**



**ESG Data Glossary**

## Energy

### Owned Generation Capacity (MW)

	2018	2019	2020
Total Owned Nameplate Generation Capacity (MW)	25,447	25,490	<b>25,490</b>
Coal	14,056	13,230	<b>13,230</b>
Natural Gas	7,809	7,678	<b>7,678</b>
Nuclear	2,278	2,288	<b>2,288</b>
Total Renewable Energy Resources	1,304	2,294	<b>2,294</b>
Hydroelectric	853	853	<b>853</b>
Solar	190	229	<b>229</b>
Wind	261	1,212	<b>1,212</b>
Other Renewable	0	0	<b>0</b>

**Owned Net Generation (MWh)**

	2018	2019	2020
Total Owned Net Generation	95,667,918	86,252,164	<b>76,459,982</b>
Coal	63,001,348	52,275,888	<b>38,184,607</b>
Natural Gas	13,318,616	13,953,693	<b>14,175,228</b>
Nuclear	17,610,815	16,157,850	<b>18,268,937</b>
Total Renewable Energy Resources	1,737,139	3,864,733	<b>5,831,210</b>
Hydroelectric	871,669	843,360	<b>1,121,235</b>
Solar	273,057	249,440	<b>535,200</b>
Wind	592,413	2,771,933	<b>4,174,775</b>
Other Renewable	0	0	<b>0</b>

**Purchased Net Generation (MWh)**

	2018	2019	2020
Total Purchased Generation	-	20,130,649	<b>18,069,220</b>
Coal	-	5,441,084	<b>4,410,801</b>
Natural Gas	-	5,089,151	<b>4,355,732</b>
Nuclear	-	0	<b>0</b>
Total Renewable Energy Resources	-	9,600,414	<b>9,302,687</b>
Hydroelectric	-	174,893	<b>234,869</b>
Solar	-	12,512	<b>11,825</b>
Wind	-	9,413,009	<b>9,055,993</b>
Other Renewable	-	0	<b>0</b>

## Total Net Generation (MWh)

	2018	2019	2020
Total Net Generation for the Data Year	105,653,095	106,382,813	94,529,102
Coal	63,001,348	57,716,972	42,595,308
Natural Gas	13,318,616	19,042,844	18,530,960
Nuclear	17,610,815	16,157,850	18,268,937
Total Renewable Generation	11,722,316	13,465,147	15,133,897
Hydro	1,160,659	1,018,253	1,356,104
Solar	286,105	261,952	547,025
Wind	10,275,552	12,184,942	13,230,768
Other Renewable	0	0	0

## Facility Energy Performance

	2018	2019	2020
Facility energy consumption (KWh)	151,853,197	135,853,591	125,005,335

## Emissions

### Scope 1 Emissions Breakdown

Emissions from AEP owned facilities only

	2018	2019	2020
CO <sub>2</sub> (MT)	78,058,873	58,447,520	44,369,322
SO <sub>2</sub> (Lbs)	137,291,386	104,466,589	65,521,727

SO <sub>2</sub> (MT)	62,274	47,385	29,720
NO <sub>x</sub> (Lbs)	99,830,243	78,809,057	52,889,173
NO <sub>x</sub> (MT)	45,282	35,747	23,990
Mercury (Lbs)	395	311	195
Mercury (kg)	179	141	89

#### Scope 1 Emissions GHG CO<sub>2</sub>e

	2018	2019	2020
CO <sub>2</sub> (MT)	74,661,649	64,157,262	48,807,820
CH <sub>4</sub> (MT CO <sub>2</sub> e)	225,741	190,755	141,581
N <sub>2</sub> O (MT CO <sub>2</sub> e)	310,447	262,141	194,305
SF <sub>6</sub> (MT CO <sub>2</sub> e)	163,408	166,149	127,667

## Water

#### Total Water Withdrawal

\* Beginning in 2020 total water withdrawal includes surface, ground, municipal and grey water sources (Comanche Plant)

	2018	2019	2020
Total Water Withdrawal (Million Gallons per day)	4,178.13	3,985.25	4,019.68
Total Water Withdrawal (Million Gallons/ year)	1,526,912	1,454,614	1,471,202
Total Water Withdrawal (Billions of Liters/year)	5,773	5,506	5,569
Total Water Withdrawal (Millions of m <sup>3</sup> /year)	5,773	5,506	5,569

#### Water Withdrawal by Source Breakdown

	2018	2019	2020
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Surface Water Withdrawal (Million Gallons per day) Excludes groundwater, municipal and Comanche Plant	4,171.74	3,979.37	<b>4,014.89</b>
Surface Water Withdrawal (Million Gallons/ year) Excludes groundwater, municipal and Comanche Plant	1,524,579	1,452,470	<b>1,469,450</b>
Surface Water Withdrawal (m3/year) Excludes groundwater, municipal and Comanche Plant	5,763,987,404	5,498,194,652	<b>5,562,475,449</b>
Groundwater (m3/year)	7,306,941	6,984,231	<b>5,474,566</b>
Other (m3/year) Represents Comanche Plant withdrawal	1,525,092	1,138,772	<b>1,156,019</b>

### Water Discharge

Water discharge data is derived from plant water balance diagrams and water withdrawal information. All water discharge represents surface water discharge.

	<b>2018</b>	<b>2019</b>	<b>2020</b>
Total Water Discharge (Million Gallons per day)	4,065	3,881	<b>3,900</b>
Total Water Discharge (Million Gallons/ year)	1,483,816	1,416,383	<b>1,427,571</b>
Total Water Discharge (Billions of Liters/year)	5,617	5,362	<b>5,404</b>
Total Water Discharge (m3/year)	5,616,852,871	5,361,588,479	<b>5,403,941,000</b>

### Water Consumption

All water consumption is freshwater. Water consumption data is derived from plant water balance diagrams and water withdrawal information.

	<b>2018</b>	<b>2019</b>	<b>2020</b>
Total Water Consumption (Million Gallons per day)	132.06	121.18	<b>140.45</b>
Total Water Consumption (Million Gallons/ year)	48,202	44,230	<b>51,405</b>
Total Water Consumption (billions of Liters/year)	182	167	<b>195</b>
Total Water Consumption (m3/year)	182,463,954	167,428,676	<b>194,589,711</b>

## Water Intensity

Water intensity data is an average value across our steam electric system. AEP does not include renewable MWhs in intensity metrics because water is not used in the renewable energy process. Plants that AEP only has partial ownership are also excluded as AEP does not control the way they operate.

	2018	2019	2020
Consumptive Water use intensity (gallons/Net MWh)	513	556	764
Consumptive Water use intensity (Billions of liters/Net MWh)	0.0000019	0.0000021	0.0000029
Non- Consumptive Water use intensity (gallons/Net MWh)	15,786	17,814	21,210
Non- Consumptive Water use intensity (Billions of liters/Net MWh)	0.0000598	0.0000674	0.0000803

## Waste

### Facility Waste Generation

Waste data does not include waste streams from competitive portion of business

	2018	2019	2020
Recycled Paper and Office Waste (Lbs)	382,000	159,300	67,581
Recycled Scrap Metal Waste (Lbs)	50,500,000	28,950,000	40,685,181
Batteries Recycled (Lbs)	216,000	169,000	171,545
Electronic Waste Recycled( Lbs)	234,000	430,000	28,183
Light Bulbs Recycled (Lbs)	40,200	44,500	26,727
Recycled used Oil (Gallons)	400,500	725,500	273,994

### Coal Combustion Products

	2018	2019	2020
Total CCPs Generated (Tons)	4,846,451	4,123,466	2,908,761

Total CCPs Diverted from Landfill (Tons)	1,865,401	1,593,164	<b>1,019,205</b>
Total CCP Diverted from Landfill Percent	38%	39%	<b>35%</b>

## Biodiversity

	2018	2019	2020
Total acres of habitat protected, enhanced or restored that supports natural habitat and biodiversity as required for mitigation Habitat protected or restored as required by regulation includes wetland and riparian habitat mitigations to meet Corps requirements, Habitat Conservation Plans to meet USFWS requirements, New Source Review Consent Decree Projects pursuant to a consent decree, and the protection/enhancement of hydroelectric project shorelines and reservoirs to meet FERC requirements.	/	/	<b>28,520</b>
Total acres of habitat protected, enhanced or restored that supports natural habitat and biodiversity voluntarily Voluntary protections include conservation areas set aside to protect unique habitats, property donations to wildlife management and other organizations, land sales to conservation organizations, enhancement of cooling water reservoirs to create fish habitat, the reforestation of mine lands and vegetation restoration beyond regulatory requirements, and the establishment of tree plantations.	/	/	<b>251,663</b>

## Economic

Financial Data			
	2018	2019	2020
Total Revenue	\$16.2 Billion	\$15.56 Billion	<b>\$14.92 Billion</b>
Total Assets	\$68.8 Billion	\$75.9 Billion	<b>\$80.8 Billion</b>
Total Annual Capital Expenditures/investments (nominal dollars)	\$5,964 Million	\$7,567 Million	<b>\$5,893 Million</b>

Taxes Paid			
	2018	2019	2020
Local and State	\$1,166 Million	\$1,220 Million	<b>\$1,303 Million</b>
Federal	\$80 Million	\$118 Million	<b>\$70 Million</b>

## Earnings Performance

	2018	2019	2020
Earnings per Share (GAAP)	\$3.90	\$3.89	\$4.44
Operating Earnings per Share	\$3.95	\$4.24	\$4.44
Cash Dividends per Common Share	\$2.53	\$2.71	\$2.84

## Financial Disclosures

	2018	2019	2020
AEP 10K Report Links (by year released)	<a href="#">2018 Report</a>	<a href="#">2019 Report</a>	<a href="#">2020 Report</a>

## Customer

### Customers

	2018	2019	2020
Residential	4,649,514	4,661,713	4,709,111
Commercial	709,606	712,800	721,900
Industrial	47,957	47,676	46,576
Other	30,304	30,177	30,183
Total	5,437,381	5,452,366	5,507,770

### Customer Energy Efficiency Programs and Smart Meters

	2018	2019	2020
Percent of total Electric Customers with smart meters	47%	56%	60%
Total Investment in Energy Efficiency Programs	/	\$161,000,000	\$150,299,080
Incremental Annual Electricity Savings from Energy Efficiency Measures (MWh)	1,022,257	1,098,444	1,148,334



Annual Demand Savings (MW)	273	302	320
Avoided CO <sub>2</sub> Emissions (MT)	525,189	527,212	477,475
Number of residential customers that participate in Energy Efficiency Programs	/	/	1,034,389

### Customer Disconnects

Credit related service terminations were suspended during a portion of the year due to COVID-19 mitigation. This activity was initiated again in some areas in a limited manner.

	2018	2019	2020
Total Number of Customer Disconnects	/	487,943	265,204
Total Number of reconnects within 7 days	/	381,968	206,391
Total Number of residential Customer Disconnects	/	/	252,456
Residential Reconnects within 7 Days	/	/	197,963

### Customer Assistance

	2018	2019	2020
Residential Energy Affordably Transactions	401,280	428,057	580,182
Energy Assistance Funds Provided to Low-Income Customers 2020 data shows a 41% increase in government-sponsored energy assistance programs compared to 2019 – in response to the pandemic.	\$56.3 Million	\$64.9 Million	\$91.7 Million
Number of Agency Pledges made Online	/	27,221	24,286
Amount contributed to Agency Pledges for Energy Assistance	/	~\$6.6 Million	~\$6.7 Million

## Grid Reliability

### Grid Overview

	2018	2019	2020
Transmission Lines	~40,000	~	~ 40,000

		40,000	
Distribution Lines	~220,000	~ 221,000	<b>~223,000</b>

## Reliability

	2018	2019	2020
System Average Interruption Duration Index (SAIDI) (Minutes) Includes major storm events	256.60	228.80	<b>231.80</b>
System Average Interruption Frequency Index (SAIFI) - Number of interruptions Includes major storm events	1.53	1.41	<b>1.47</b>
Customer Average Interruption Duration index (CAIDI) (Minutes) Includes major storm events	167.70	162.80	<b>158.00</b>
Customer Average Interruption Frequency (CAIFI) (Minutes) Includes major storm events	2.16	2.00	<b>2.19</b>
Average System Availability Index (ASAI)	99.95%	99.96%	<b>99.96%</b>

## Community Impact

### Economic and Business Development

	2018	2019	2020
Economic Development Contributions	\$1,323,038	\$2,597,874	<b>\$1,901,036</b>
Jobs Supported by AEP's Economic and business Development	14,700	21,000	<b>29,808</b>
Amount Spent on Employee Wages	\$2.3 Billion	\$1.9 Billion	<b>\$1.8 Billion</b>

### Charitable Giving

	2018	2019	2020
Total Charitable Giving	\$25.5 Million	\$29.6 Million	<b>\$38.5 Million</b>

### Percent of Charitable Giving by area of Focus

Education	32%	31%	<b>32%</b>
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Community	17%	19%	14%
Hunger and Housing	12%	14%	14%
Safety and Health	11%	13%	11%
Arts and Culture	7%	6%	7%
Youth	9%	5%	4%
Covid-19	/	/	10%
Other	12%	11%	8%

## Workforce

Employee Type			
	2018	2019	2020
Total Number of Employees	17,565	17,487	16,864
Number of full-time Employees	17,537	17,458	16,840
Number of part-time Employees	28	29	24
Total Number of Represented Employees	4,417	4,133	4,015
Total Number of Veteran Employees	1,814	1,742	1,706
Percent of Veteran Employees	10%	10%	10%
Total number of Professionals	5,598	5,743	5,600
Total number of Officials and Managers	3,288	3,326	3,175
Total number of executive/senior level officials	225	234	232
Employee Training and Education Assistance			
	2018	2019	2020
Total Hours of Employee Training (Hours) In 2020, we experienced lower than normal	1,007,153	1,130,628	775,500

training hours due to reduced in-person, instructor-led training due to COVID-19 safety protocols. In addition, we transitioned to virtual training where possible, which often requires less time to complete.

Amount spent on Tuition Reimbursement	2,043,839	2,063,794	<b>2,042,634</b>
Total number of career development advancements	1,241	1,227	<b>787</b>
Percent of workforce receiving Career Development Reviews	/	70.38%	<b>71.66%</b>

### Workforce Planning

	2018	2019	2020
Planned Employee Leave or Retirement over the next 5 years	3,859	4,533	<b>4,275</b>
Employee Turnover Rate	6.80%	8.68%	<b>8.56%</b>
Total Transmission and Distribution Apprentices	/	/	<b>807</b>
Total co-op students, interns and high school interns	/	/	<b>50</b>

### Workforce Demographics

	2018	2019	2020
Traditionalists (1945 and Before)	<1%	<1%	<b>&lt;1%</b>
Baby Boomers (1946-1964)	36%	31%	<b>27%</b>
Generation X (1965-1980)	35%	36%	<b>37%</b>
Millennials (1981-1996)	28%	32%	<b>34%</b>
Generation Z (1997 and Beyond)	<1%	<1%	<b>1%</b>

## Safety & Health

### Employee Metrics

2018	2019	2020
------	------	------

Employee DART Rate	0.393	0.4120	<b>0.310</b>
Total Employee Recordable Incident Rate (TRIR)	0.672	0.673	<b>0.576</b>
Employee Lost Time Incident Rate (LTIR)	0.310	0.329	<b>0.245</b>
Employee Severity Rate	17.568	22.719	<b>15.284</b>
Total Employee OSHA Recordable Events	/	129	<b>106</b>
Employee Fatalities	1	1	<b>0</b>

### Contractor Metrics

AEP Contractors includes Forestry

**2018**      **2019**      **2020**

Contractor DART Rate	0.507	0.544	<b>0.410</b>
Total Contractor Recordable Incident Rate (TRIR)	/	/	<b>0.927</b>
Contractor Lost Time Incident Rate (LTIR)	/	/	<b>0.246</b>
Total Contractor OSHA Recordable Events	/	225	<b>147</b>

### Employee and Contractor Metrics

AEP Contractors includes Forestry

**2018**      **2019**      **2020**

Employee and Contractor DART Rate	0.446	0.477	<b>0.356</b>
Combined Employee & Contractor DART Events	161	178	<b>122</b>

### Public Metrics

**2018**      **2019**      **2020**

Public Fatalities due to electrical contacts	6	4	<b>2</b>
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# Diversity & Inclusion

Workforce Diversity			
	2018	2019	2020
Total Female Employees	3,409	3,454	<b>3,325</b>
Total percent of Female Employees	19%	20%	<b>20%</b>
Number of Female Professionals	1,503	1,578	<b>1,535</b>
Number of Female Officials and Managers	494	543	<b>538</b>
Number of Female employees in an Executive/Senior level position	36	40	<b>44</b>
Percent of workforce receiving Career Development Reviews for female employees	/	/	<b>90%</b>
Number of development advancements for female employees	288	250	<b>175</b>
Total Minority Employees	3,127	3,233	<b>3,187</b>
Total percent of minority Employees	18%	18%	<b>19%</b>
Number of Minority Professionals	1,062	1,128	<b>1,140</b>
Number of Minority Officials and Managers	384	419	<b>419</b>
Number of Minority employees in an Executive/Senior level position	22	25	<b>28</b>
Number of development advancements for minority employees	192	244	<b>156</b>
Supplier Diversity			
	2018	2019	2020
Total Supplier Spend (Billions)	\$6.9 Billion	\$6.8 Billion	<b>\$6.5 Billion</b>
Diverse Supplier Spend (Millions)	\$365 Million	\$401 Million	<b>\$653 Million</b>

"Local Based Supplier Spend (Billions) *The term "locally" is used to describe businesses registered in the traditional 11 states in which AEP operates."	\$3.4 Billion	\$3.3 Billion	<b>\$3.4 Billion</b>
Small Business Supplier Spend (Millions)	\$971 Million	\$882 Million	<b>\$993 Million</b>
Percentage of total corporate spend on Locally based suppliers (as a percent of total spend)	48%	49%	<b>53%</b>
Percent procurement spend on goods and services on diverse suppliers (as a percent of total managed spend)	6.30%	7.40%	<b>10.17%</b>
percentage total corporate spend on goods and services from small businesses (as a percent of total spend)	14%	13%	<b>15%</b>

## Governance

### Governance Overview 2021 data as of April 20, 2021- post annual meeting

	2018	2019	2020	2021
Board Meetings Held	7	7	7	7
Average Board attendance	98%	97%	97%	<b>100%</b>
Total number on the Board of Directors	12	13	13	<b>12</b>
Number of independent Directors	11	12	12	<b>11</b>
Independent CEO and Lead Director	no	no	no	<b>no</b>

### Director Gender

	2018	2019	2020	2021
Men	9	9	9	<b>8</b>
Woman	3	4	4	<b>4</b>

### Director Age

	2018	2019	2020	2021
50s	2	2	3	<b>3</b>

60s	8	9	6	7
70s	2	2	4	2
Board Average Age	64	65	66	64

#### Director Tenure

	2018	2019	2020	2021
0-5 years	4	4	2	3
6-10 years	4	4	7	6
11-15 years	4	4	4	3
Average years of Tenure	8	9	8	8

#### Director Ethnic Diversity

	2018	2019	2020	2021
White	10	11	11	9
Hispanic	1	1	2	2
African American	0	1	0	1
Other	0	0	0	0

#### Governance Disclosures

- [Proxy Statement](#)
- [AEP's Principles of Corporate Governance](#)
- [AEP Director Independence Standards](#)
- [AEP Bylaws](#)
- [AEP's Certificate of Incorporation](#)
- [AEP Code of Business Conduct and Ethics](#)
- [Criteria for Evaluating Directors](#)
- [AEP Principles of Business Conduct](#)
- [AEP Supplier Code of Conduct](#)
- [Facts about AEP's Board](#)
- [AEP Political Engagement Policy](#)
- [AEP Anti-Corruption Policy](#)



- [Consideration of Candidates for Director Recommended by Shareholders](#)
- [Board Policy on Recouping Executive Compensation](#)
- [Related person Transaction Approval Policy](#)

## Policy and Disclosures

### Publicly Available Policies and Disclosures

- [Anti-Corruption Policy](#)
- [AEP Political Engagement Policy](#)
- [AEP's Insider Trading Policy](#)
- [Related Person Transaction Approval Policy](#)
- [Environment, Safety and Health Policy](#)
- [AEP's Annual Report of Corporate Political & Social Welfare Organization Contributions and Trade Association Lobbying](#)

### Internal Policies

- [Sexual Harassment Policy](#)
- [Anti-Discrimination Policy](#)
- [Safety & Health Policy](#)
- [AEP's PII Data Privacy Protection Policy](#)
- [AEP's Prohibition Against Pornography and Offensive Material Policy](#)
- [AEP's Anti Fraud Policy](#)
- [AEP's Whistle Blower Protection Policy](#)

To help ensure employee safety and security, many AEP policies are internal policies only. All employees have access to all policies through the AEP intranet database.

## Sustainability Disclosures

- [GRI](#)
- [CDP Water](#)
- [CDP Climate](#)
- [TCFD](#)
- [SASB Report](#)
- [Supply Chain Management](#)
- [ESG Strategy and Performance Report](#)
- [EEI ESG/Sustainability Report](#)
- [AEP Sustainability Goals](#)

## ABOUT THIS REPORT

At AEP, we understand the importance of providing clear, accurate and consistent data and information in a timely manner. AEP's Corporate Accountability Report (CAR) reflects our commitment to transparency by proactively sharing data and information about our sustainability goals, strategy and ESG performance. This demonstrates that we are listening to our stakeholders and addressing issues that are most relevant for our business.



### 2021 Chairman's Message

AEP's 2021 Corporate Accountability Report marks our 12th integrated report and 15th year of reporting on our ESG

performance. This report gives a comprehensive view of AEP's progress as a business and community partner to build a brighter future together. It reflects our longstanding commitment to transparency and is an exceptional representation of our past performance and future strategy.

## STATEMENT OF AEP'S BOARD OF DIRECTORS

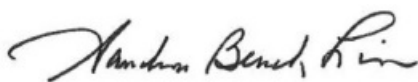
AEP Management and the Board of Directors recognize the role of environment, social and governance (ESG) performance in creating long-term value for our shareholders and other stakeholders. We are committed to engagement as well as transparent disclosure on ESG issues. The Board receives frequent reports from management about the company's sustainability initiatives and financial reporting, policy matters and ESG performance. These issues are the subject of active discussion at Board meetings and Board committee meetings.

The AEP Board of Directors has assigned responsibility for overseeing the company's ESG/sustainability initiatives to the Board's Committee on Directors and Corporate Governance (the Committee). The 2021 Corporate Accountability Report integrates financial with ESG/sustainability reporting to provide a comprehensive view of AEP's forward-looking strategic commitment to the environment, employees, shareholders and the communities that it serves as well as a transparent review of its performance in these commonly recognized measures of ESG performance. Stakeholders have expressed support and appreciation for AEP's leadership with this integrated approach to corporate reporting, as well as the company's commitment to transparency and engagement. The Committee fully supports this approach.

The 2021 Corporate Accountability Report provides enhanced, proactive disclosure for our stakeholders. To ensure statements are appropriately stated, AEP's internal Audit Services team performs a limited review of selected company performance statements within the Corporate Accountability Report. This year's Report includes the company's ESG Data Center, which houses approximately 250 of the most relevant metrics AEP is commonly asked to disclose; AEP's Climate Impact Analysis Report – a report reflecting the TCFD framework; and a new ESG Report that compiles AEP's ESG strategy and materiality assessment, and disclosures consistent with SASB and GRI standards. This provides enhanced, proactive disclosure for investors and other stakeholders.

The 2021 Corporate Accountability Report also provides comprehensive disclosure about AEP's response to the unprecedented events of 2020, including the COVID-19 pandemic and the racial and social justice issues that reverberated across the nation. This includes the company's efforts to support its employees, customers and communities. In addition, the Report outlines AEP's financial and operational performance, while providing a forward look of the company's strategy to achieve net-zero carbon emissions by 2050.

The Committee believes the 2021 Corporate Accountability Report provides a clear presentation of AEP's strategy and ESG performance. The Board has emphasized that management will continue to be evaluated by its success in executing the company's strategic plan, including its ability to respond to changing circumstances as we have seen with the events of 2020.



Sandra Beach Lin  
Chair of the Committee on Directors and Corporate Governance



Stephen Rasmussen  
Lead Director of the AEP Board of Directors

## 2021 AUDIT STATEMENT

AEP Audit Services performed a limited review of selected company performance statements within the 2021 AEP Corporate Accountability Report that were deemed to have reputational, financial, or compliance aspects. Financial information was reconciled with AEP's audited financial statements and other sources as deemed appropriate. Nonfinancial statements were substantiated with press releases, internal communications, or source data from the business units. Forward-looking information was verified as consistent with public information disclosed by AEP.

Based upon our limited review, we believe the performance information contained within the report is appropriately stated, and that the processes followed in accumulating the financial and nonfinancial information were reasonable.



Andrew Reis  
Vice President Audit Services  
May 13, 2021

## AEP'S SUSTAINABILITY GOALS

AEP's sustainability goals are aligned with our corporate strategy and Strategic Framework for Sustainable

Development. In addition, they map to the United Nations Sustainable Development Goals (SDGs), demonstrating the contributions AEP is making to create shared value for our customers, communities, investors and our company.



Since we last set these goals in 2018, the world has changed dramatically. We are living through a global pandemic; social and racial inequities have prompted a demand to end systemic racism; technology is advancing; the future of where and how we do our work is evolving; and, we have significantly moved our clean energy strategy forward by growing our renewable energy portfolio and setting a net-zero carbon goal for 2050.

As a result, we will refresh our sustainability goals in the near future to reflect our future strategy. We committed to annual updates on our progress, as demonstrated by this report, however, some targets have been refined where appropriate to better reflect the changing landscape.

## AEP'S Strategy for Sustainable Development

Our strategy for a sustainable future is to ensure that the production and delivery of energy enables positive social and economic change for our customers, employees and communities as we collaboratively shape our future. We are grounded by our culture of safety, continuous improvement and customer focus. We commit to aggressively support economic development, develop innovative solutions, champion education and make smart infrastructure investments that power our communities and improve lives. AEP will lead by example by setting strategic performance targets and goals, and we will be guided by these key principles:

- **BE A CATALYST FOR CHANGE** – We use our knowledge, voice, skills and relationships to enable innovation, bring new technologies to market, modernize the grid to optimize all resources and technologies, and develop a diverse, inclusive workforce for the 21st century.
- **ADVANCE ENVIRONMENTAL STEWARDSHIP** – We continuously seek to improve operations across our business to reduce, mitigate or eliminate the resulting impacts on the environment. We are committed to reducing our carbon footprint.

- **HELP TO BUILD STRONG LOCAL COMMUNITIES** – Create shared value for our customers, employees and the communities we serve. Through philanthropy, we support basic human needs, including affordable housing and food security. Through our economic development activities, we help our communities to be sustainable by expanding economic opportunities.
- **DEVELOP A BRIGHTER ENERGY FUTURE** – Work with our customers and communities to define and develop a clean energy future, giving them choices and timely information while providing safe, reliable, affordable electricity.

## SUSTAINABILITY PERFORMANCE SCORECARD

We are committed to proactively reporting our sustainability performance, governance and practices, including supply chain management. We joined EcoVadis; one of the most commonly used platforms by thousands of companies across the globe, to complete its annual Supply Chain Survey, which generates a company scorecard. This scorecard outlines AEP's performance in four key areas: Environment, Labor and Human Rights, Ethics, and Sustainable Procurement. We are proud to have earned a silver medal in 2022.

[Request AEP's 2022 EcoVadis Scorecard](#)

## ESG Strategy & Performance Report

At AEP, we understand the importance of providing clear, accurate and consistent data and information in a timely manner. We have been reporting on our environmental, social and governance (ESG) performance for 15 years through AEP's Corporate Accountability Report (CAR), which serves as the foundation for our sustainability disclosure. The 2021 ESG Strategy & Performance Report serves as a supplemental report to the CAR, demonstrating our commitment to reporting on our progress towards a responsible and sustainable energy future.

This report includes AEP's ESG strategy, governance structure, stakeholder engagement efforts, materiality assessment and ESG awards and recognition. In addition, it comprises of our ESG Data Center, which includes a three-year trend on 250+ of the most requested ESG metrics; our Sustainability Accounting Standards Board (SASB) report; GRI Report; and access to our Climate Impact Analysis Report – a TCFD report.

[2021 ESG Strategy & Performance Report](#)

## Sustainability Accounting Standards Board (SASB)

This year marks AEP's second year mapping our disclosure to the SASB Standards for Electric Utilities & Power Generators. Our response reflects year-end 2020 performance. Our SASB report is mapped to our comprehensive 2021 Corporate Accountability Report and ESG Data Center – which serves as our foundation for all sustainability and ESG-related reporting.

[AEP's 2021 SASB Report](#)

## Task Force on Climate-related Financial Disclosure (TCFD)

AEP's [Climate Impact Analysis Report](#) is aligned with the Task Force for Climate-related Financial Disclosure (TCFD) framework, including the scenario modeling and analysis. This provides a comprehensive view of our business and the potential risks and opportunities created by climate change, as well as strategies for managing them.

## Customer Emissions Report

American Electric Power is excited to announce the launch of the Edison Electric Institute's (EEI) Electric Company Carbon Emissions and Electricity Mix Reporting Template for Customers. This template was created in collaboration between EEI member electric utility companies, corporate customers, World Resource Institute and EEI. The purpose of this effort is to provide customers with consistent, timely and relevant data that customer can then use for their reporting efforts or strategy development. EEI's template provides the following quantitative and qualitative information for 2018 and 2019 year data:

- Electricity delivered by operating company (MWh)
- Carbon Emissions Intensity Rates (lbs CO<sub>2</sub>/MWh)
  - Utility Average
  - Utility Specific Residual Mix
- Resource Mix (%)
- Third-party certification/verification.
- Qualitative narrative describing reported carbon emissions, resource mix, and clean energy goals.
- Notes section for electric companies to disclose whether and how RECs are accounted for in the emission intensity rates.

Customers can [access the template here](#), which also includes instructions and details about the template.

## EEI ESG/Sustainability Report

AEP participates in an EEI-led ESG/Sustainability Committee, composed of electric utilities and financial industry specialists. The effort encourages voluntary reporting of ESG/sustainability information in both quantitative and qualitative formats; it was the first industry-focused and investor-driven ESG reporting framework. AEP is a founding member of this group and issues this report every year.

- [AEP's 2021 EEI ESG/Sustainability Report](#)

## GRI Report

AEP's 2021 Corporate Accountability Report has been prepared in accordance with the GRI Standards Core Option and reflects data for the 2020 performance year. All Standards below are based on the most recent set of GRI Standards published. AEP discloses additional information through the GRI Electric Utility Sector Supplement, providing industry-specific information.

The GRI Standards are a voluntary reporting framework used by organizations around the world as a basis for sustainability reporting. AEP uses the GRI Framework as a supplement to our Corporate Accountability Report (CAR), providing additional detail on data and programs that are relevant to stakeholders but not necessarily covered in the CAR. For this reason, many of the GRI Standard are linked to sections of the CAR as a response along with other annual financial company-wide disclosure documents. Links to other AEP websites and company documents are also used to support our responses. For those Standards not supported by the CAR or other company websites and document, the detail is contained within the appendix section of this report.

- [AEP's 2021 GRI Report](#)

## CDP Reports

AEP's commitment to transparency includes responding annually to CDP (formerly the Carbon Disclosure Project) surveys on carbon, water and supply chain. We have been reporting to CDP for almost a decade on the carbon survey and have participated in the water survey since it began. These surveys are important to our stakeholders, particularly investors.

### 2021:

- [CDP Climate Report – AEP's 2021 Response](#) (PDF)
- [CDP Water Report – AEP's 2021 Response](#) (PDF)

# AEP'S 2022 ECOVADIS SCORECARD REQUEST FORM

Name	Company Name
<input type="text"/>	<input type="text"/>
Title	Email
<input type="text"/>	<input type="text"/>
<input type="submit" value="Submit"/>	

## ESG AWARDS & RECOGNITION

### Forbes JUST 100

AEP has been named to the [Forbes JUST 100 2021 list](#), which recognizes companies that set the standard in commitment to their stakeholders. AEP earned the top spot for utilities and was the highest ranked utility in the “Workers” category.

The JUST 100 is a list of America’s best corporate citizens. Forbes partnered with JUST Capital to assess 1,000 of the nation’s largest publicly traded companies and evaluated their treatment of workers and customers, community support, environmental impact and long-term value to shareholders.

This year, JUST Capital expanded its methodology to include COVID-19 policies and response. The new analysis includes hourly wages increases, paid sick leave, payment deferrals for customers, donations to support community relief and other data points. The ranking recognizes companies’ commitment to transparency on these issues.



### CRReporting Award

AEP’s 2019 EEI ESG/Sustainability Report for Investors received the 2020 CR Reporting Award (CRRRA’ 20) second runner-up for the Best Environmental, Social and Governance (ESG) Report by [CorporateRegister.com](#).

AEP’s report was among 152 entries across 11 categories. The awards recognize the very best in corporate sustainability reporting and are the world’s only independent global annual awards in this field.

AEP is a founding member of the EEI-led ESG/Sustainability Report steering committee, which developed the voluntary ESG template in collaboration with a group of investors and third-party research organizations.



### Sustainable Tulsa

For the second year in a row, [Public Service Company of Oklahoma](#) (PSO) was recognized for its sustainability efforts achieving gold level certification by Scor3card. Scor3card is an online sustainability tracking and assessment tool for organizations that want to track and improve their sustainability plans. Administered through Sustainable Tulsa, the Scor3card program sets a rigorous standard for sustainable activities that focus on engaging organizations around three areas of sustainability: people, profit and planet.





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