

2022 Corporate Sustainability Report

CHAIRMAN'S MESSAGE

A MESSAGE FROM THE CHAIRMAN

When I think about the future of energy, I see a world that is electric. As the economy embraces electrification to decarbonize the climate, our responsibility is to deliver clean, reliable and affordable electricity that is secure and resilient. At AEP, we add to that an obligation that the grid of the future provides equitable access for all its users. Our commitment to reach net-zero carbon emissions by 2050 is unwavering. We've already made significant progress and also committed to a just transition for our employees and our communities with a focus on inclusiveness, equity and collaboration. Our vision of powering a brighter, cleaner energy future together reflects the spirit and determination of our workforce to do what's right for our customers, communities, investors and other stakeholders.

The transition to a sustainable, clean energy future has many pathways within industry sectors, across rural and urban areas, and through policy development. Electricity is the anchor of modern society, and we are essential partners in America's clean energy transition.



Nicholas K. Akins, Chairman, President & Chief Executive Officer

PROTECTING THE GRID

Our industry plays a pivotal role in shaping America's future, as it has for more than a century. Protecting and securing the electric power grid from cyber and physical security threats is essential to safeguarding our way of life. A resilient, secure power system is foundational. But we are being tested by geopolitical events as never before. Maintaining grid security and resilience is critical in our clean energy transition. AEP is actively engaged with the U.S. Electricity Subsector Coordinating Council and with other government and private sector partners to address emerging threats and protect the flow of energy.

SAFETY, HEALTH & THE PANDEMIC

At AEP, we are as committed as ever to our Zero Harm journey: Everyone goes home in the same condition as when they came to work. We were pleased that we had no work-related employee or contractor fatalities in 2021. In 2021, our safety performance dipped below 2020 – which was our safest year on record. We are refocusing our efforts through leadership commitment and employee engagement to strengthen our safety culture and reinforce work practices. Our employees embrace the importance of Zero Harm for themselves, their families and their coworkers. I am proud of this commitment to our most important core value.

The pandemic continued to create unexpected and persistent challenges for us, testing us in ways previously unimaginable. COVID-19 is undiscerning in its spread and the consequences hit close to home at AEP. Our AEP family lost co-workers, friends and family members during the pandemic, which was felt deeply across the company.

Through the pandemic, we continued taking all appropriate precautions to keep employees safe and provide them with additional support through our Employee Assistance Program when they needed it. Although we have begun returning to some pre-pandemic activities, we remain vigilant

AEP'S SAFETY AND HEALTH GOAL

ACHIEVE ZERO HARM

Because We Care that everyone goes home in the same condition as when they came to work.



A DECADE OF TRANSFORMATION

When I became CEO of AEP in 2011, we were in the early stages of our clean energy transition. At the time, less than 5% of our generating portfolio was renewable generation. Today, 20% of our portfolio is now renewables. From 2011 through 2021, we retired or sold more than 13,700 MW of coal-fueled generation. We're working to shift our generation portfolio to more than 50% renewable resources by 2030.

We have taken a thoughtful approach in our transition to a clean energy economy, being mindful of the potential implications this may have on some of our stakeholders. We listened to our stakeholders, worked with regulators, and remained committed to our customers. We've been candid and transparent about the difficulty of the transition and intentional in our decisions. And we never compromised on reliability or security. I want to thank our stakeholders for being on this journey with us. We did not always agree, but they willingly engaged with us, challenged us and collaborated on solutions.

In 2021, we set new carbon reduction goals – net-zero by 2050 with an interim goal of 80% reduction by 2030 (from a 2000 baseline). We have reduced carbon emissions by 70% and are on track to reach our 2030 goal. We also announced a goal to add approximately 16 gigawatts of new renewable energy to our fleet. We completed the 1,484 MW North Central Energy Facilities in March 2022 and are now delivering lower-cost, clean energy to our customers in Oklahoma, Louisiana, and Arkansas. Maverick and Sundance wind farms began commercial operations in 2021 and a third facility, named Traverse, came online in March 2022. The Traverse project is the largest single wind farm built at one time in North America. We have requests for proposals for additional renewable energy and updated resource plans in nearly all of our states to continue to advance our clean energy strategy.

Decarbonizing our generating fleet is only part of our story. We are also taking important, meaningful steps to support electric vehicle growth, expand broadband to unserved rural communities, and lay the groundwork for a just transition as we retire coal units.

AEP is a founding member of the National Electric Highway Coalition. This collaborative will support the deployment of EV fast-charging infrastructure along major travel corridors throughout the United States, enabling EV drivers to travel with confidence. This important network supports public acceptance of the future of mobility – electric.

AEP'S CARBON EMISSION REDUCTION GOALS

NET-ZERO BY 2050

80% reduction by 2030*

*From a 2000 baseline



ADVANCING AEP'S CLEAN ENERGY TRANSFORMATION



ADD CLEAN WIND & SOLAR GENERATION

Proposing to add
~16,000 MW
(2021–2030)



INCREASE RENEWABLE GENERATING PORTFOLIO

Our renewable portfolio
will represent ~50% of our
total capacity by 2030



MODERNIZE THE ENERGY GRID

65% of our capital
allocated to wires
(2022–2026)



REDUCE CARBON EMISSIONS

Achieve net-zero
emissions by 2050



REDUCE COAL CAPACITY

~5,300 MW
planned reduction
(2022–2028)

For every job lost at a retired coal plant, an average of two to three jobs are also lost in the broader local economy. The economic impact of retiring more than 5,300 MW of additional coal capacity by 2028 could significantly challenge parts of our service area. Our focus on Just Transition is to help ensure we don't leave people behind as we shift to a new energy future. Southwestern Electric Power Company (SWEPCO) and the Pirkey Plant partnered with the Just Transition Fund to organize a community-driven Transition Task Force. With more than two dozen community stakeholders and leaders – including school districts and government and civic organizations – participating, the Task Force developed a high-level action plan that lays the groundwork for life after the plant retires in 2023.

I am also pleased to share that within one year of announcing the plant's retirement, 75% of employees have found new jobs within AEP/SWEPCO or outside of the company or decided to retire when the plant retires. This work will serve as a model for future plant retirements, proving that this socio-economic aspect of decarbonization is strategically important and necessary.

BROADBAND

Our middle-mile broadband expansion strategy will bridge the urban-rural digital divide, bringing broadband infrastructure where it makes sense to do so and leveling the playing field for rural America. We are using the infrastructure that brought electricity deep into rural areas during the last century to bring fiber to rural areas today. Appalachian Power secured legislative support for electric utility participation in rural broadband expansion, developed partnerships with internet service providers (ISPs) and pursued state and federal middle-mile funding opportunities to offset costs. In December 2021, our ISP partner connected to the first customer in Grayson County, Virginia. Projects currently underway in West Virginia and Virginia will make broadband access available to underserved or unserved customers, and broadband expansion is also moving forward in other states as well.

OUR WORKFORCE, OUR FUTURE

The pandemic brought the most rapid workforce transformation we have seen in some time, supported by digitization, automation and innovation. Today, the new normal is a variety of work models and work environments. Approximately 45% of our workforce is now hybrid or remote. We are encouraging employees to adopt a continuous learning mindset and giving them tools and increased educational support.

We continue to be committed to a culture that values safety, inclusiveness, innovation, ethical behavior and engagement. The pandemic taught us that empathy is also critical. The well-being of our employees was paramount over the past two years. We enhanced our Employee Assistance Program, communicated frequently and provided resources to support employees' mental and financial health needs, as well as their physical and social well-being.

The strength and health of our culture is critical to executing on our strategy. We are immensely proud to have received the Gallup Exceptional Workplace award for the third consecutive year. This prestigious award recognizes our highly engaged culture and our commitment to each other.

We remain deeply committed to increasing the diversity of our workforce, building a talent pipeline that provides clear career advancement for women and underrepresented groups into mid- and executive-level jobs and is increasingly reflective of the communities we serve. We are making progress on this front, but it is a journey that requires ongoing focus.

AEP'S CULTURE GOAL

**ENSURE AN
ENGAGED,
COLLABORATIVE
& APPRECIATED
WORKFORCE**

by measuring our
culture journey through
our annual employee
culture survey

MEETING CUSTOMER & COMMUNITY NEEDS

The relationship we have with our customers continues to evolve on the grid. As more customers electrify their homes and businesses, creating new sources of demand from and on the grid, we are engaging in new ways to manage increased load. The investments we are making in transmission and distribution will support greater connectivity with our customers while focusing on optimization and efficiency of resources that will ensure accessibility and affordability.

AEP contributed over
\$35.1 MILLION
to support over 1,500
organizations during 2021

infrastructure needed to support manufacturing and industrial development.

In 2021, AEP facilitated or supported more than 100 projects that will bring more than 37,800 new jobs to our 11-state service territory. These efforts resulted in major investment announcements including Nucor's most advanced, lowest emission sheet mill in West Virginia and Intel's plans to build the world's largest semi-conductor factory in central Ohio.

Supporting our communities also means rolling up our sleeves as volunteers and targeting our philanthropic giving on housing, food, education, public health, the arts and other areas of focus where our support is needed. In 2021, AEP and the AEP Foundation provided \$35.1 million in contributions and grants to nonprofit organizations.

RACIAL & SOCIAL JUSTICE

In 2021, the AEP Foundation launched the Delivering on the Dream: Social and Racial Justice grant program. This five-year, \$5 million initiative is designed to fund organizations whose programs are advancing racial and social justice in the communities AEP serves. We have already made more than a dozen grants across our service territory.

We also developed an environmental and social justice policy that took effect January 1, 2022. We developed this policy to ensure an even stronger commitment to proactive stakeholder engagement and ongoing consideration of the environmental and social impacts of our decisions. It gives us an opportunity to demonstrate our commitment to ensuring investment equity as we modernize the power grid and transition to a new era of clean energy.

Delivering on the Dream ...



STRONG GOVERNANCE

The service we provide directly impacts quality of life, economic prosperity, health and well-being, and national security. We take that responsibility to heart. That is why strong governance is essential.

Our management team and Board of Directors are committed to purposeful decision-making, acting ethically and with integrity, providing oversight of our sustainability strategy, managing risks and opportunities, and holding ourselves accountable. We do this to promote the long-term interests of our shareholders, operate in the best interest of our customers and employees, and to be a good corporate citizen.

Our board members bring skills, experience and expertise that are critical to AEP's transformation. We currently have the most diverse board in our history with women representing 33% of the board and minorities 25%. Sara Martinez Tucker was elected Lead Director of the Board early this year, marking the first time a woman has held this role. Her experience on other corporate boards and her executive positions in education, government and the highly regulated telecommunications industry have brought incredibly valuable perspectives to AEP.

Ben Fowke, former chairman and CEO of Xcel Energy, and Lou Von Thaer, chairman and CEO of Battelle, joined the AEP board this year. Both bring valuable experience in energy transformation, energy policy, technology and security.

Average tenure at AEP

6.5 YEARS **92% INDEPENDENT**

11 of 12 Board members are independent

At AEP, our Board is made up of



*Represents data after annual meeting in April 2022

THE FUTURE IS ELECTRIC

After a decade of leading AEP, I am humbled by the journey and all that we have accomplished together. From our safety performance and culture transformation to our clean energy transition and enhanced customer experience, we've consistently delivered value and operational excellence. We also delivered consistent earnings, dividend growth and a strong balance sheet and pioneered new technologies. AEP's spirit of innovation and deep commitment to our customers and communities and to one another are foundational, and our focus on accountability and an open and inclusive environment have supported this success.

The future will continue to disrupt our industry's business model enabling economic transformation on a new scale. For more than a century, our industry has kept the lights on for every American. We are building on this legacy to create a new, cleaner energy future that keeps electricity accessible, affordable, reliable, and secure for everyone.

As we do this, we will continue to invest in innovation, develop our workforce, protect the safety of our employees and the public, operate efficiently and keep costs reasonable. We will continue to be a force for good in our communities. This includes building upon our outreach to marginalized and low wealth communities who may be impacted by our business. Above all, we will do this while delivering on customer expectations around the clock, every day.

I am excited by the possibilities that lie before us. The work we have done thus far sets the stage for a low-carbon, efficient and decentralized electric power system that balances demand, production, customer control, and technology with affordability, security and equitable access. I invite you to join us on this electrifying journey.

Thank you,



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

[COMMUNITY SUPPORT](#)[SAFETY & HEALTH](#)[STRATEGY](#)[ESG DATA CENTER](#)

