



AEP's 2020

SUSTAINABILITY GOALS REPORT



Prepared by Corporate Sustainability

AEP'S SUSTAINABILITY GOALS REFLECT OUR CORPORATE STRATEGY AND STRATEGIC FRAMEWORK FOR SUSTAINABLE DEVELOPMENT. OUR GOALS MAP TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGS) AND THIS MARKS OUR FIRST REPORT SHOWING THE LINKAGE BETWEEN AEP'S PERFORMANCE AND THE SDG TARGETS. THIS CONNECTION DEMONSTRATES HOW AEP CONTRIBUTES TO CREATING SHARED VALUE FOR OUR BUSINESS AND SOCIETY.



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 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.

ENERGY & ENVIRONMENT

The power grid of the future will be cleaner, smarter, digitized, more efficient and fully integrated. We are diversifying resources, delivering clean energy solutions and choices to customers, and investing in a modern grid capable of optimizing all resources and technologies. We are doing this as we improve reliability and resilience and deliver safe, affordable electricity to customers.



GOAL: CARBON REDUCTION:

Climate change remains a significant risk and opportunity for AEP. We have set aggressive goals to reduce our carbon footprint and review our goals annually.

For more information, please see [Carbon & Climate](#)

TARGETS	PERFORMANCE UPDATE	ALIGNMENT WITH UN SDG TARGETS
Reduce carbon dioxide emissions from AEP generating units by 70 percent from 2000 levels by 2030.	<ul style="list-style-type: none"> Through 2019, we achieved a 65% reduction in carbon emissions from our 2000 baseline. 	SDG 13: 13.2
Reduce carbon dioxide emissions from AEP generating units by 80 percent from 2000 levels by 2050. Our aspiration is zero.	<ul style="list-style-type: none"> In 2020, AEP initiated a climate change scenario risk analysis. New clean energy report due fourth quarter 2020. 	

GOAL: RENEWABLE ENERGY:

Continue to grow regulated and competitive renewable portfolio to support clean energy transition.

For more information, please see [Renewable Energy](#)

TARGETS	PERFORMANCE UPDATE	ALIGNMENT WITH UN SDG TARGETS
By 2030, add approximately 8,000 MW of regulated renewable energy on our system. (According to IRPs and pending regulatory approval)	<ul style="list-style-type: none">• Year-end 2029 – 5,233 MW of total renewable resources in AEP’s portfolio (regulated and competitive).• AEP’s proposed North Central Wind Facilities in Oklahoma would provide regulated customers with 1,485 MW of clean energy to customers in four states. Regulatory approvals have been received from the Oklahoma and Arkansas Commissions, with approvals pending in Texas and Louisiana.	SDG 7: 7.1, 7.2
Between 2020 to 2024, invest approximately \$2.1 billion in contracted renewables.	<ul style="list-style-type: none">• In 2019, AEP Renewables invested \$1.4 billion in contracted renewables. The competitive business now owns 13 projects in 11 states.	



GOAL: MODERNIZING THE GRID:

Continued investments in grid modernization to ensure reliability, resilience and security of the power system. Our investments support expanding, strengthening and modernizing the electric power network to enable the transition to a clean energy economy.

For more information, please see:

[Grid Reliability and Resilience](#) [Technology & Innovation](#) [Grid Modernization](#) [Modernizing Distribution](#)
[Modernizing Transmission](#)

TARGETS	PERFORMANCE UPDATE	ALIGNMENT WITH UN SDG TARGETS
<p>By 2023, deploy DACR, VVO and AMI to achieve penetration levels of 15% DACR, 10% VVO and 60% AMI (pending regulatory approval).</p>	<ul style="list-style-type: none"> • Since 2010, DACR applied to more than 360 circuits and VVO applied to more than 260 circuits. • Smart meters: Through 2019, AEP deployed 3.15 million AMI meters. 	<p>SDG 7: 7.3, 7.A SDG 9: 9.1, 9.4, 9.5</p>
<p>By 2030, deploy at least one micro grid in each of AEP's regulated jurisdictions to enhance the electrical and economic resiliency of our communities.</p>	<ul style="list-style-type: none"> • In 2019, AEP Ohio installed a microgrid at the Columbus Zoo with regulatory support. 	
<p>Use data analytics capabilities to maintain efficiency of existing generating fleet, and proactively maintain and operate the power grid.</p>	<p>We are leveraging the power of data analytics to better understand our infrastructure and machine learning and artificial intelligence to integrate and optimize our assets and monitor and predict potential reliability and security risks. Examples include:</p> <ul style="list-style-type: none"> • Since 2012, through AEP's Asset Health Center we have installed and managed real-time performance monitors, saving the company up to \$45 million by preventing transformer failures. • We are developing data analytic and visibility tools that make it easier for our distribution engineers and operations personnel to visualize where to invest in high value reliability improvements. 	
<p>Identify advanced combined cycle generation needs to maintain grid reliability and resilience.</p>	<ul style="list-style-type: none"> • No update available 	

GOAL: ENERGY INNOVATION:

Use new and innovative business models (regulated and competitive businesses) and create energy solutions and services that improve how we manage the grid's total value stream and deliver an exceptional customer experience.

For more information, please see:

[Home Energy Management](#) [Beneficial Electrification](#) [Customer Engagement](#) [Innovation & Technology](#)

TARGETS	PERFORMANCE UPDATE	ALIGNMENT WITH UN SDG TARGETS
<p>Create a pipeline of innovative new services and energy solutions that help our customers achieve their sustainability goals, increase the efficient use of energy and reduce environmental impacts.</p>	<ul style="list-style-type: none"> • In 2019, AEP developed a strategy to implement a single HEM data portal enabling two-way data flow with our customers. Customers will now have the ability to access their energy information through one platform instead of being directed to several third-party portals or websites. • In 2019, we launched the Electric Car Education and Awareness campaign throughout most of the AEP enterprise. • In 2019, AEP launched a Customer Energy and Emissions Report, providing greenhouse gas emission data customers can use to calculate their Scope 2 emissions. 	<p>SDG 7: 7.1, 7.3, 7.A, 7.B SDG 9: 9.C SDG 11: 11.2, 11.A SDG 13: 13.3, 13.B</p>
<p>Regulatory strategy to support deployment of technologies that improve the customer experience.</p>	<ul style="list-style-type: none"> • See Regulatory & Public Policy 	
<p>Pursue Electric Transportation Mission</p>	<ul style="list-style-type: none"> • New EV programs approved for Indiana Michigan Power Company that provide benefit to all customers through off-peak charging, engaging in residential, fleet, workplace, and corridor applications. • New off-peak rate approved for Appalachian Power Company in Virginia that offers reduced costs for off-peak EV charging, and benefits all customers. • Oklahoma extension of alternate fuel vehicle tax credit approved. • AEP Ohio's \$10 million EV charging infrastructure is nearly fully-subscribed. 	
<p>By 2024, AEP Ohio's Electric Security Plan III Extension is deployed to support Smart Columbus (with regulatory approval).</p>	<ul style="list-style-type: none"> • AEP continues to support Smart Columbus through several initiatives, including mobility, a microgrid and EV charging infrastructure. 	
<p>Develop/implement digital strategy and supporting organizational structure.</p>	<ul style="list-style-type: none"> • In May 2020, AEP named its first Chief Information and Technology officer, to lead technology initiatives across AEP. This includes information technology, innovation, digital initiatives and telecommunications. 	

SOCIAL RESPONSIBILITY

At AEP, we consider the safety, health and well-being of our employees, contractors and the public to be a core value, which means doing the right thing every time. As corporate citizens, we have an obligation to address social issues to enhance the quality of life in the communities that we serve, and beyond. We envision a culture where diversity is the norm and employees, customers, supplies and stakeholders of all identities are valued, respected and engaged.



GOAL: WORKFORCE SAFETY & HEALTH:

Achieve Zero Harm – everyone goes home in the same or better condition than when they came to work – through forward-looking safety initiatives that assess both leading and lagging indicators for risks and opportunities. Create and foster a learning-centric culture where proactive communications, training and the use of leading indicators help us prevent harm.

For more information, please see [Safety & Health](#)

TARGETS	PERFORMANCE UPDATE	ALIGNMENT WITH UN SDG TARGETS
DART Rate – continue using a three-year average of historical DART rates. (DART = Days Away, Restricted or Job Transfer).	Employee DART Rate: <ul style="list-style-type: none"> • 2019 = 0.412 • 2018 = 0.393 • 2017 = 0.507 	SDG 3: 3.6 SDG 8: 8.8
Good Catches – Proactive employee information sharing about unsafe conditions or events that did not result in harm or damage.	<ul style="list-style-type: none"> • In 2019, employees reported more than 6,500 Good Catches, an increase of 32% compared with 2018. 	

TARGETS	PERFORMANCE UPDATE	ALIGNMENT WITH UN SDG TARGETS
CORE Visits – Coaching through Observation, Recognition and Engagement (CORE); a two-way dialogue to improve engagement and performance.	<ul style="list-style-type: none"> In 2019, leaders documented more than 27,800 CORE visits compared with 16,000 in 2018. 	SDG 3: 3.6 SDG 8: 8.8
Contractor Safety Management Program – Develop and implement contractor safety management program for AEP’s contractor workforce.	<ul style="list-style-type: none"> In 2019, we began implementation of a new system-wide contractor safety data management system, which will centralize contractor safety event information across all of our businesses. Additionally, we issued new Supplemental Safety and Health Terms and Conditions for use in all contracts, standardizing this important information across all of AEP. 	

GOAL: EMPLOYEE ENGAGEMENT THROUGH VOLUNTEERISM:

One way that we build stronger communities is through volunteerism. Our employees participate in company-led or -supported volunteer activities that enhance quality of life, and support important civic activities of their choosing, including serving on local nonprofit boards. Together, these activities help create shared social and economic benefits for our customers and communities.

For more information, please see [Volunteerism at AEP](#)

TARGETS	PERFORMANCE UPDATE	ALIGNMENT WITH UN SDG TARGETS
By 2019, develop and seek corporate approval of an implementation plan to efficiently and cost-effectively increase volunteer participation by employees.	<ul style="list-style-type: none"> Employee volunteer tracking plan and program approved and implemented. 	SDG 11: 11.4, 11.5, 11.7, 11.8, 11.9
By 2020, implement volunteer program and collect one year of data to set baseline.	<ul style="list-style-type: none"> In 2019, the corporate-wide Caring Together volunteer program was launched. Within six months, approximately 1,600 employees signed up and participated in volunteer activities. Program began mid-year; full year results are not available. 	
By 2021, establish corporate-wide volunteerism goal and communication strategy to increase employee volunteerism in our communities.	<ul style="list-style-type: none"> Goal will be set after more data from the employee volunteerism, Caring Together program, has been in effect for at least a year. 	

GOAL: MEASURING THE IMPACT OF AEP PHILANTHROPIC INVESTMENTS:

Quantify the impact of AEP philanthropic giving to address STEM education and hunger and housing.

For more information, please see [Community Impact](#)

TARGETS	PERFORMANCE UPDATE	ALIGNMENT WITH UN SDG TARGETS
Annual reporting of corporate giving with breakdown of percentage by focus area.	<ul style="list-style-type: none"> In 2019, AEP and the American Electric Power Foundation donated nearly \$30 million to support more than 1,800 community organizations. STEM education accounted for 31% and Hunger & Housing accounted for 14% of giving. 	SDG 1: 1.1, 1.2 SDG 2: 2.1, 2.2 SDG 4: 4.1, 4.3, 4.4, 4.5, 4.B SDG 8: 8.6 SDG 11: 11.1, 11.4, 11.7
Impact statements from recipients of significant grants in AEP's focused areas of giving.	<ul style="list-style-type: none"> In progress 	
J.D. Power Corporate Citizenship survey score shows greater awareness of AEP's community impacts.	<ul style="list-style-type: none"> This goal is under review as we are exploring additional ways to measure this. 	

GOAL: DIVERSITY & INCLUSION:

Build a diverse, high-performing workforce that reflects the communities we serve. Eliminate barriers that prevent employees from maximizing opportunities and potential.

For more information, please see [Diversity & Inclusion](#)

TARGETS	PERFORMANCE UPDATE	ALIGNMENT WITH UN SDG TARGETS
By 2020, promote 50 percent of diverse candidates in succession pool and advance 50 percent in the "ready in 2-3 years" or "Talent to Watch" categories, based on available opportunities.	<ul style="list-style-type: none"> Total number of career development advancements – 1,227 Percent of female development advancements – 20% Percent of minority development advancements – 20% 	SDG 4: 4.5 SDG 5: 5.1, 5.5 SDG 8: 8.5 SDG 10: 10.2, 10.3, 10.4
By 2022, increase number of women in senior operating roles by at least 30 percent in all leadership groups (Paradigm for Parity commitment).	<ul style="list-style-type: none"> Percent of total female workforce – 20% Percent of female officials and managers – 16% Percent of female executive/senior level – 17% 	

TARGETS	PERFORMANCE UPDATE	ALIGNMENT WITH UN SDG TARGETS
By 2022, at least 10 percent of new hires into full time, entry-level jobs come from targeted high school development programs, technical colleges and /or universities.	<ul style="list-style-type: none"> We have relationships with many diverse organizations such as the National Society of Black Engineers, Prospanica and Human Rights Campaign (HRC). These partnerships expose AEP 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 broaden our access to diverse candidates. 	SDG 4: 4.5 SDG 5: 5.1, 5.5 SDG 8: 8.5 SDG 10: 10.2, 10.3, 10.4

GOAL: INCLUSIVE, ENGAGED & HIGH-PERFORMING WORKFORCE:

Cultivate a collaborative and inclusive work environment that empowers employees and provides opportunities for advancement.

For more information, please see [Culture of Engagement](#)

TARGETS	PERFORMANCE UPDATE	ALIGNMENT WITH UN SDG TARGETS
Annual listening tour sessions across the AEP system.	<ul style="list-style-type: none"> In 2019, we held 24 listening tour sessions at 22 locations, reaching more than 700 employees. 	SDG 5: 5.1, 5.5 SDG 8: 8.5 SDG 10: 10.2
Year-over-year improvement of Inclusion Index in annual employee culture survey.	Inclusiveness Index: <ul style="list-style-type: none"> 2019 = 4.09 2018 = 4.01 2017 = 3.99 	
Year-over-year improvement of Engagement Index in annual employee culture survey.	Engagement Score: <ul style="list-style-type: none"> 2019 = 87th percentile 2018 = 76th percentile 2017 = 69th percentile 	

GOAL: SUPPLIER DIVERSITY:

By 2023, the level of spend with diverse suppliers* achieves 10 percent **, providing competitive access to a pool of diverse, strategic suppliers and business partners that mirror the communities we serve.

For more information, please see [Supplier Diversity](#)

TARGETS	PERFORMANCE UPDATE	ALIGNMENT WITH UN SDG TARGETS
By 2023, increase diverse spend to 13 percent [Tier 1 (prime) and Tier 2 (subcontractors) suppliers].	<ul style="list-style-type: none"> In 2019, we increased our diverse spend to 7.4% of the spend managed through Procurement. Instituted new supplier diversity champion program. 	SDG 8: 8.3 SDG 9: 9.2, 9.4

ECONOMIC DEVELOPMENT

AEP is committed to supporting economic development and making smart infrastructure investments that power our communities and improve lives by attracting high-quality jobs, encouraging capital investment, and stimulating local economies. We incorporate customer perceptions, behaviors and values into the design of our energy solutions and services to ensure the best experience for our residential, commercial and industrial customers.



GOAL: CUSTOMER FOCUS:

Through technology-enabled innovation and process improvements, we make it easier and more cost-effective for customers to interact with us and give them access to personalized energy solutions and services to help them better manage their energy use.

For more information, please see [Customer Engagement](#)

TARGETS	PERFORMANCE UPDATE	ALIGNMENT WITH UN SDG TARGETS
<p>Continuously improve the customer experience by delivering innovative products and services that customers value, make it easier to do business with us, enhance the total experience customers have with AEP, and deliver energy solutions that enable more efficient use of energy.</p>	<ul style="list-style-type: none"> In 2019, we began the rollout of a new, centralized customer relationship management (CRM) system, giving us better information about what our customers want, their perceptions and expectations of AEP and how they want to engage with us. We expanded the Voice of the Customer Program through an enhanced post-call survey for customers who contact our Customer Operations Centers. 	<p>SDG 1: 1.4, 1.5 SDG 7: 7.1 SDG 11: 11.1, 11.3</p>

TARGETS	PERFORMANCE UPDATE	ALIGNMENT WITH UN SDG TARGETS
	<ul style="list-style-type: none"> • AEP’s mobile app makes it easier for customers to do business with us, including the ability to pay their bill, monitor their energy use and report or check on the status of an outage. • AEP’s new voice channel (via voice service devices, such as Amazon’s Alexa) allows customers to access information within their and other AEP digital customer applications, such as the mobile app. • In late 2019, we provided all customers with an estimated wait time and implemented an automated callback feature. This feature proved valuable – especially during heavy call volumes – and we achieved a 96% rate in callbacks. 	SDG 1: 1.4, 1.5 SDG 7: 7.1 SDG 11: 11.1, 11.3

GOAL: ECONOMIC IMPACT:

We strive to improve the communities we serve by helping to create employment opportunities that enhance the quality of life in and sustainability of our communities.

For more information, please see [Economic & Business Development](#)

TARGETS	PERFORMANCE UPDATE	ALIGNMENT WITH UN SDG TARGETS
Quantify the economic and social impact of AEP’s operations, investments, and economic development activities within the communities we serve, enabling local capacity-building for long-term sustainability.	<ul style="list-style-type: none"> • Estimated jobs supported by Economic & Business Development effort - 21,000 jobs • Total spend on employee wages - \$1.9 billion • Federal taxes paid - \$118 million • Local & State taxes paid - \$1.2 billion • Total supplier spend - \$6.8 billion • Diverse supplier spend - \$401 million • Locally-based supplier spend - \$3.3 billion • Small business supplier spend - \$882 million • Total charitable giving (Corporate & AEP Foundation) - \$29.6 million 	SDG 8: 8.2, 8.3 SDG 9: 9.2 SDG 11: 11.A