

BOUNDLESS ENERGY

# AMERICAN ELECTRIC POWER

## SUSTAINABLE FINANCE FRAMEWORK

July 2021

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# INTRODUCTION

American Electric Power (“AEP”) is a public utility holding company headquartered in Columbus, Ohio that generates, transmits, distributes and sells electricity to approximately 5.5 million residential, commercial and industrial customers<sup>1</sup> across 11 states. AEP owns the nation’s largest electricity transmission system, a more than 40,000-mile network that includes more 765-kilovolt extra-high voltage transmission lines than all other U.S. transmission systems combined. More than 16,000 MW of renewable energy is interconnected across the U.S. via AEP’s transmission network. AEP also is one of the nation’s largest electricity producers with approximately 30,000 megawatts of diverse generating capacity, including more than 5,600 MW of renewable energy. AEP’s utilities operate as AEP Ohio, AEP Texas, Appalachian Power (in Virginia and West Virginia), AEP Appalachian Power (in Tennessee), Indiana Michigan Power, Kentucky Power, Public Service Company of Oklahoma, and Southwestern Electric Power Company (in Arkansas, Louisiana and east Texas). AEP’s corporate headquarters is in Columbus, Ohio.

For more than 115 years, AEP has stood at the forefront of the electric power industry, with predecessor companies American Gas and Electric and Central and South West playing pivotal roles as the electric industry raised street lights on Main Street and spread to illuminate more and more American homes and businesses. Today, AEP is building upon more than a century of innovation to lead the transition to a clean energy future. We are driven by our commitment to our customers and a shared focus on serving our communities. We are building a new energy future by pursuing new opportunities to efficiently generate and deliver reliable, affordable electricity. Our values and unwavering commitment to acting with integrity, honesty and transparency reflect our culture and guide us.

## AEP’S STRATEGY FOR A CLEAN ENERGY FUTURE

AEP’s Strategy for A Clean Energy Future aims to drive positive social and economic change and shape a sustainable energy future through the production and

delivery of affordable, reliable, clean energy to AEP customers. We are proud of our customer-centric, safety, and continuous improvement culture. The company’s track-record as a leader in sustainable energy development and smart infrastructure investments have powered communities and improved lives across America for over a century. The development of clean energy solutions leads to more diversified resources, giving customers more options, while continued investment in grid modernization improves the reliability and resilience of the business, ensuring continued delivery of safe, affordable electricity to customers.

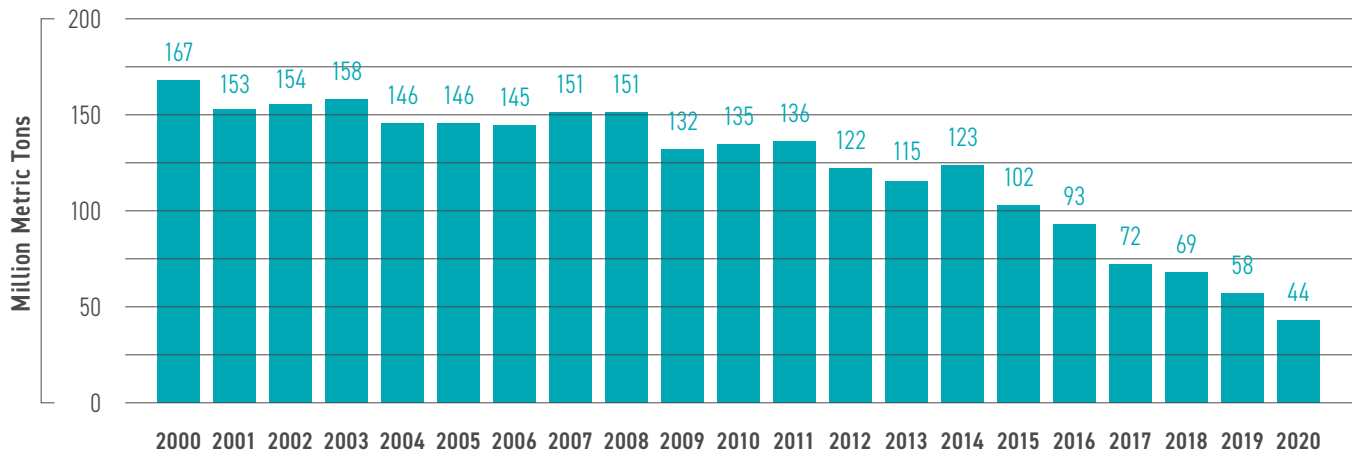


We are proposing to add nearly 16,600 MW of clean wind and solar generation to our regulated fleet by 2030 as part of our Future Forward Strategy.

Climate change is a defining issue of our time. AEP has already made significant progress in reducing its carbon footprint. Since 2011, we have sold, retired or converted to natural gas approximately 13,500 MW of coal-fueled generating capacity reducing our greenhouse gas emissions by 74% from 2000 levels. AEP will further reduce coal generation by approximately 5,600 MW by 2030 and decrease coal net book value through retirements and depreciation in an effort to meet the aggressive carbon reduction goals set to achieve an 80% reduction by 2030 and net-zero by 2050. AEP’s net-zero vision is to redefine the future of energy and develop forward-thinking solutions that provide clean, reliable and affordable energy to power the communities we serve.

<sup>2</sup> <https://www.bloomberg.com/profile/company/AEP:US>

## Total AEP System – Annual CO<sub>2</sub> Emissions



AEP’s net-zero vision aims for clean energy growth that 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 MW of new, clean wind and solar generation to our regulated fleet by 2030. This will grow our renewable generating portfolio to 52% of our total capacity this decade.

The power grid of the future will be cleaner, smarter, digitized, more efficient and fully integrated and AEP is at the forefront of this transformation. Through the diversification of resources, the development of clean energy solutions, which give customers more options, and continued investment in a modern grid capable of optimizing all resources and technologies, we are enhancing the reliability and resilience of the electric power system.

AEP’s clean energy strategy will guide future decisions as we work toward powering a brighter energy future. Additional highlights include:

- Investing \$2.8 billion in regulated renewable generation and \$2.1 billion in competitive contracted renewable projects from 2021-2025
- Investing \$26.7 billion in transmission and distribution modernization from 2021-2025

- Supporting research and development as well as deployment of new and advanced technologies such as battery storage and microgrids. For example, 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. 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.



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

- Advocating for and enabling wider usage of electric vehicles, including converting 100% of our car and light-duty truck fleet to [electric vehicles](#) by 2030.
- Partnering with 13 major utilities in the [Electric Highway Coalition](#) to install a network of electric vehicle charging stations connecting major highway systems from the Atlantic Coast, through the Midwest and South, and into the Gulf and Central Plains regions.

AEP offers more than 150 energy efficiency programs across its service territory. In 2020, investments in energy efficiency reduced energy usage by more than 1.1 million MWh and reduced demand by approximately 320 MW. This resulted in avoided CO<sub>2</sub> emissions of more than 477,000 US Tons. From 2008 through 2020, AEP's consumer energy efficiency programs combined reduced annual consumption by over 9 million MWh and peak demand by approximately 2,900 MW. To achieve these savings, AEP invested \$1.5 billion during that same period. We also reduced kilowatt-hour (kWh) usage in nearly 280 of our own facilities normalized for weather, by approximately 35% in 2020, compared with the 2007 baseline, in nearly 280 of AEP buildings. This resulted in approximately \$7.1 million in cost savings and avoided CO<sub>2</sub> emissions.

AEP collaborates 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 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.



In addition, AEP is 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 is a founding member of the [Electric Power Research Institute's \(EPRI\) Low Carbon Resource Initiative \(LCRI\)](#), a partnership between utilities, EPRI and the Gas Technology Institute. This five-year research and development project will design pathways for the energy sector to advance low-carbon technologies for large-scale deployment. The goal is to enable a risk-informed understanding of the options and technologies we can use to facilitate significant economy-wide decarbonization. In addition, the partnership will also explore global partnerships and demonstrations to accelerate the most promising options.

**This five-year initiative will:**

- Identify and accelerate development of promising technologies from around the world
- Demonstrate and assess the performance of key technologies and processes and identify possible improvements
- Inform key stakeholders and the public about technology options and potential pathways to a low-carbon future.

In 2019, AEP received an EPRI Technology Transfer Award in recognition of our work on the Integrating Technical Analyses of Climate-Related Science into Company Climate Risk Assessment, Planning, Greenhouse Gas Goal Setting and Outreach project. This project provides a technical foundation to inform company decision-making and stakeholder discussions regarding climate risk assessment and greenhouse gas emissions goal setting<sup>2</sup>.

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.

**SUPPORTING A  
JUST TRANSITION**  
Good Jobs & Healthy Communities

AEP recognizes that the clean energy transition creates social and economic disruption and challenges affecting people, communities, and society at-large. These impacts are especially apparent in communities and regions dependent on the fossil fuel industry for jobs, tax base, and corporate philanthropic support. The call for action on climate change demands partnerships and collaboration between the public and private sectors to equip communities to diversify their local economies for long-term resilience and sustainability.

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, as well as economic impacts to local communities. It is not



AEP invests in local training and education programs to help people develop new skills needed in today's workforce.

uncommon for a power plant to be a major employer in the community. Preparing our employees for a plant closure includes identifying opportunities within AEP and preparing them by providing job training programs, and education assistance that includes technical certifications and other support programs. These include:

- On-site training support to apply 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.
- 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)

<sup>2</sup> <http://www.aepsustainability.com/environment/carbon/>

AEP also works with communities to facilitate development of economic diversification plans that address the loss of tax base, keeping affected workers in the community and attracting new business and industry. AEP's economic development team provides training and resources to local officials, giving them the tools to independently grow and diversify their local communities. We also invest in local training and education programs to help people develop new skills needed in today's workforce. For example, we support state and federal programs for worker retraining and community diversification through organizations such as JobsOhio and the Appalachian Regional Commission.

### ESG LEADERSHIP

Sustainability strategy and environmental, social and governance (ESG) performance and disclosure are integral to successful execution of business strategy. 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 help to build dynamic and thriving economies; and as we develop a flexible, diverse and inclusive workforce for the future.

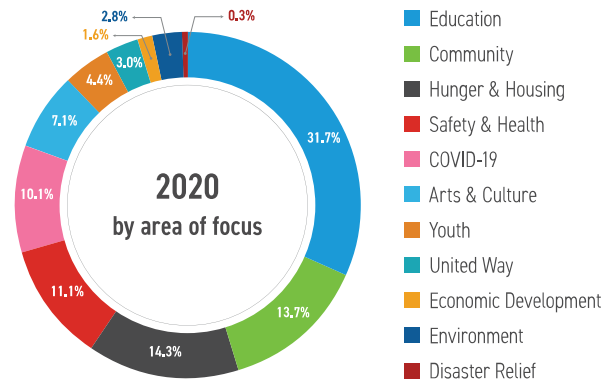
### SUPPORTING OUR COMMUNITIES

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.

### BOARD DIVERSITY & GOVERNANCE

When stakeholders evaluate a company, one of the first things they look at is the strength of governance. Strong governance ensures transparency, fairness and accountability, and it gives us a structured way to manage

## Charitable Giving by Area of Focus



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.

At AEP, 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. Diversity, equity and inclusion are key components of our business strategy. It allows us to be competitive and to attract and retain the best talent. A diverse, inclusive and engaged workforce improves organizational performance and company culture – creating an environment that welcomes and values different experiences, beliefs, ideas and backgrounds.

### EDUCATION FOCUS

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. An innovative new program – Women in Linework (WiL) – is designed to provide women with direct pathways to an AEP Apprenticeship Program by providing developmental, technical and foundational training, mentorship, supportive services and certifications. It also includes compensation to support participants' financial needs during the program.



Since 2014, the AEP Foundation has committed nearly \$16.7 million to STEM education through the Credits Count<sup>SM</sup> program.

AEP recognizes the need to increase the number of women in our line mechanic roles. While the energy sector has made strides in introducing women to STEM careers, the opportunity for a focus on women in trades requires a more intentional approach. The WiL program is designed to create a direct pathway into the line mechanic apprenticeship. The program will be piloted in Ohio, with guaranteed jobs with AEP Ohio upon successful completion. The Central Ohio pilot will allow us to increase the number of women in mid-level apprenticeship by 33% by the end of the 24-month program period.

AEP plans to graduate 20 women from the WiL pre-apprenticeship who will then be offered a seat in the registered line mechanic apprenticeship. 100% of the women who successfully complete the WiL program will be offered a job opportunity in the AEP Ohio Line Mechanic DOL Registered Apprenticeship Program.

Today, women in Ohio aged 16 and older who work full-time year-round, have a median income of \$38,000, which is 76.0 cents on the dollar compared with men who work full-time, year-round. By contrast, AEP Ohio line mechanic apprentices have a salary well above a “living” wage and upon obtaining journey level status, advance to an earning capacity that creates upward mobility.

A career in line mechanic work allows women who were unemployed or underemployed to obtain a career that will place them on solid economic footing with a career that offers sustainability, benefits, opportunities to serve the community and the means to thrive.

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.

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. Since the program's creation in 2014, the AEP Foundation has committed nearly \$16.7 million to the program across our service territory.

### DIVERSITY, EQUITY & INCLUSION

At AEP, 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. Diversity, equity and inclusion are key components of our business strategy. It allows us to be competitive and to attract and retain the best talent. A diverse, inclusive and engaged workforce improves organizational performance and company culture -- creating an environment that welcomes and values different experiences, beliefs, ideas and backgrounds.

## Board Composition

**8 YRS**  
AVERAGE  
TENURE

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

**25%**  
MINORITY

**33%**  
WOMEN



# DIVERSITY & INCLUSION STRATEGIC PLAN ROADMAP TO 2025

**FOCUS AREAS**

**STRATEGIC OBJECTIVES**

**Diverse Workforce**  
Build a diverse, high-performing workforce

Interview selection process to mitigate bias, and employee referral program  
Diverse states for leadership selections and enterprise-wide targeted college recruiting program

**Inclusive & Engaged Workforce**  
Cultivate a collaborative work environment that empowers all employees

Listening tour conversations, D&I Town Halls and panel discussions  
Continuous D&I education and awareness, and multicultural organization practices  
Employee Resource Group Reset

**Sustainability & Accountability**  
Establish leadership accountability measures

Leadership D&I engagement goal, workforce representation and leadership goals  
State of Diversity discussions and consulting reviews

**External Partnerships**  
Foster relationships with external partners

Visibility at nationally recognized conferences and leadership presence on boards

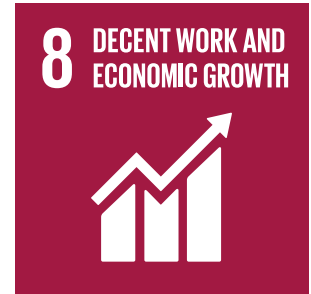
Beginning in 2021, we expanded the AEP Foundation's philanthropic scope through the creation of a Social and Racial Justice grant program: "Delivering On the Dream." The grants will play a pivotal role in addressing systemic racism by directing funds to support non-profits that are focused on outcomes 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 are encouraging employees to make personal commitments as allies and advocates and support events that create greater collaboration within communities for equity and racial justice.



# ALIGNMENT WITH THE UN SUSTAINABLE DEVELOPMENT GOALS

AEP is contributing to the following United Nations Sustainable Development Goals:



## SUSTAINABLE FINANCE FRAMEWORK

AEP has developed this Sustainable Finance Framework under which any AEP subsidiary will be able to issue Green, Social and Sustainability Bonds, Loans, or other financial instruments such as Letters of Credit (together “Financing Instruments”) in relation to the Green and Social Use of Proceeds outlined below. This Framework






has been developed in alignment with the ICMA Green Bond Principles (“GBP”), 2021, the LSTA Green Loan Principles (GLP), the ICMA Social Bond Principles (“SBP”), 2021 and the ICMA Sustainability Bond Guidelines (“SBG”), 2021.




## USE OF PROCEEDS

An amount equal to the net proceeds from the issuance of the Green, Social and/or Sustainability Financing Instruments will be used by AEP or any of its issuing subsidiary to finance or refinance, in whole or in part, new or existing, projects or assets that meet the criteria outlined below:

### Green categories





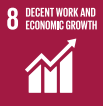

GBP / GLP Category	Environmental Objective	Eligible Projects	SDG Contribution
Renewable Energy	Climate change mitigation	<p>Investments or expenditures related to:</p> <ul style="list-style-type: none"> <li>Investment in the acquisition, construction and development of renewable energy production projects (wind and solar)</li> <li>Investments in technologies that support renewable energy including grid modernization, microgrid<sup>3</sup> and storage</li> </ul>	
	Pollution prevention and control	<ul style="list-style-type: none"> <li>Transmission and Distribution investments that specifically target the support, interconnection, and deployment of renewable resources, including the installation of demand side management equipment that will improve the efficiency of our system</li> <li>Research and development of technologies to reduce carbon emissions and provide grid resilience, such as battery storage technology to improve grid efficiencies of intermittent renewable resources</li> </ul>	
Energy Efficiency	Climate change mitigation	<p>Investments or expenditures related to reducing corporate and customer emissions and optimizing energy usage, including:</p> <ul style="list-style-type: none"> <li>Research and development of new technologies that will increase efficient use of energy and reduce GHG emissions</li> </ul>	
	Pollution prevention and control	<ul style="list-style-type: none"> <li>Avoided CO<sub>2</sub> emissions from consumer energy efficiency programs and reduced consumption within AEP facilities</li> <li>Deployment of Advanced Metering Infrastructure (AMI), or smart metering technology</li> </ul>	
			

<sup>3</sup> 85% or more of the generated electricity will come from renewable energy sources.

GBP/GLP Category	Environmental Objective	Eligible Projects	SDG Contribution
Clean Transportation		<p>Investments or expenditures related to:</p> <ul style="list-style-type: none"> <li>• Implementing Beneficial Electrification (BE) and Electric Vehicle (EV) incentive and infrastructure programs (e.g. Electric Highway Coalition)</li> <li>• Conversion of AEP's fleet to EV</li> </ul>	



# Social categories

SBP Category	Social Objective (Target Population)	Eligible Projects	SDG Contribution
<b>Access to Essential Services (telecom)</b>	Population with limited or low-quality access to broadband networks in rural or unserved areas	Investments or expenditures related to: <ul style="list-style-type: none"> <li>• Installation and use of AEP’s extensive fiber optic cable to support “middle mile” infrastructure that could be leased to Internet Service Providers to expand broadband service to primarily rural and unserved areas<sup>4</sup>, with sufficient bandwidth for new digital services</li> </ul>	 
<b>Socioeconomic Advancement &amp; Empowerment</b>	Maximize opportunities for diverse businesses to conduct business with AEP	Investments or expenditures related to enabling opportunities for small businesses <sup>5</sup> and diverse businesses <sup>6</sup> , 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. Examples include: <ul style="list-style-type: none"> <li>• Procurement of products and services from small businesses and diverse suppliers<sup>7</sup> in direct and indirect supply chain</li> <li>• Programs that empower minority-owned and small businesses through training, education on potential business opportunities and mentoring such as AEP’s Supplier Diversity Program</li> <li>• Education assistance related to technology, infrastructure, and professional development for minority populations (e.g. Credits Count<sup>SM</sup>, “Women in Linework”)</li> </ul>	   

<sup>4</sup> AEP defines primarily rural and unserved areas as those where services are restricted due to insufficient access to bandwidth above 25/3 mpbs and/or where an area has been determined to be unserved by a regulatory body.

<sup>5</sup> Small businesses as defined by U.S Small Business Administration (SBA) (<https://www.sba.gov/>)

<sup>6</sup> Minority-Owned – A business that is at least 51% owned by, and whose management and daily business operations are controlled by, one or more members of a socially and economically disadvantaged minority group, namely US citizens who are African Americans (Black), Hispanic Americans, Native Americans, Asian-Pacific Americans and Indian sub-Continent Americans.

<sup>7</sup> Diverse suppliers shall comply with the definition of small businesses as presented in footnote 5

**For the avoidance of doubt, AEP will exclude any expenditures related to the following activities:**

- Nuclear energy production
- Fossil fuel production and electricity generation from fossil fuels

### **PROCESS FOR PROJECT EVALUATION AND SELECTION**

American Electric Power has designated a Subcommittee of its Corporate ESG Committee with responsibility for governing and monitoring the selection of eligible projects under the Sustainable Finance Framework. The Subcommittee is comprised of, but not limited to, Treasury, Corporate Sustainability, Legal and Operations. The Subcommittee will have responsibility for:

- Evaluation and selection of eligible projects, as recommended by AEP's Operations and/or Finance teams
- Review eligible projects allocated within the Sustainable Finance Framework at least annually to ensure compliance with all applicable exclusionary and eligibility criteria, via relevant Financing Instruments' proceeds
- Annual review of and updates to the Sustainable Finance Framework
- Annual report of allocation funding through the Framework and the resulting impact of the investment (e.g., reduced carbon emissions, socio-economic improvements, etc.)

When evaluating proposed projects, the Subcommittee will ensure eligible projects comply with AEP environmental and social risk management processes as well as the criteria set forth in this Framework. The Subcommittee will also ensure that the projects are included within AEP's annual capital plan. The Finance

team will track spending on eligible projects using internal systems to develop recommendations for funding during the allocation process. If a previously eligible project is deemed ineligible at any point, it will be removed from consideration and funding eligibility under the Framework.

### **MANAGEMENT OF PROCEEDS**

An amount equivalent to the net proceeds of each Green, Social or Sustainability Financing Instrument will be earmarked for allocation against the Portfolio of Eligible Projects. The net proceeds from the Financing Instruments will be tracked internally. Eligible Projects are those that fit the criteria outlined by this Framework and have been disbursed in the last 24 months prior to the issuance date ("Refinancing") or expenditures in the following 24 months (New Financing).

Any projects that become no longer eligible will be substituted as soon as practical once an appropriate substitution option has been identified, on a best efforts basis.

Where proceeds cannot be immediately allocated or reallocated, AEP will invest the balance of the net proceeds at its own discretion as per the company's liquidity management policy, including in cash or cash equivalents, or in other liquid marketable instruments.



## REPORTING

Annually, until full allocation of the net proceeds from the sale of any Green, Social or Sustainability Financing Instruments, and on a timely basis in the event of material developments, AEP will publish on an annual basis the [Sustainable Finance Report (the "Report")] on its website (<https://aep.com/investors/ESG>) that will include:

(i) the amount of net proceeds from the sale of any Green, Social or Sustainability Financing Instruments that have been allocated to one or more Eligible Projects either individually or by category, subject to confidentiality considerations, including the share of Refinancing and New Financing;

(ii) the list of Eligible Project categories with a selection of brief descriptions;

(iii) the outstanding amount of net proceeds from the sale of any Green or Social Financing Instruments yet to be allocated to Eligible Projects at the end of the reporting period.

(iv) case studies and expected impact metrics where applicable and feasible; which may include for example some of the following metrics:

## Green Categories

Green Category	Examples of impact indicators
Renewable Energy	<ul style="list-style-type: none"> <li>• Carbon dioxide equivalent ("CO2e") emissions avoided</li> <li>• Renewable energy capacity installed in MWhs</li> </ul>
Energy efficiency	<ul style="list-style-type: none"> <li>• Carbon dioxide equivalent ("CO2e") emissions avoided</li> </ul>
Clean Transportation	<ul style="list-style-type: none"> <li>• Carbon dioxide equivalent ("CO2e") emissions avoided</li> <li>• Percent of AEP fleet converted</li> </ul>

## Social Categories

Social Category	Examples of impact indicators
Access to essential services (telecom)	<ul style="list-style-type: none"> <li>• Number of beneficiaries</li> </ul>
Socioeconomic Advancement & Empowerment	<ul style="list-style-type: none"> <li>• Number of small businesses and diverse suppliers reached</li> <li>• Percent of total spend using small businesses and diverse suppliers</li> <li>• Number of training hours dispensed</li> </ul>

## EXTERNAL REVIEW

### Second-Party Opinion

AEP has appointed Sustainalytics to provide a Second Party Opinion on the Sustainable Finance Framework.

This Second Party Opinion document will be made available on AEP's website.

## EXTERNAL VERIFICATION

An external verification of the tracking of the Financial Instruments proceeds will be provided, on an annual basis, until the complete allocation of proceeds, by AEP.

## **SUSTAINABLE FINANCE FRAMEWORK DISCLAIMER**

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

Certain information contained in this Framework is forward-looking information based on current expectations and plans that involve risks and uncertainties. Forward-looking information includes, among other things, future emission expectations and reduction goals, future business strategies and planned allocation of net proceeds. AEP and its subsidiaries caution that there are certain factors that can cause actual results to differ materially from the forward-looking information that has been provided. The reader is cautioned not to put undue reliance on this forward-looking information, which is not a guarantee of future performance and is subject to a number of uncertainties and other factors, many of which are outside the control of AEP and its

subsidiaries; accordingly, there can be no assurance that such suggested results will be realized. The following factors, in addition to those discussed in AEP’s and its subsidiaries’ Annual Reports on Form 10-K for the year ended December 31, 2020, Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 and subsequent securities filings, could cause actual results to differ materially from management expectations as suggested by such forward-looking information: weather conditions, including storms and drought conditions, and the ability to recover significant storm restoration costs; the availability of fuel and necessary generation capacity and the performance of generation plants; the ability to build or acquire renewable generation, transmission lines and facilities (including the ability to obtain any necessary regulatory approvals and permits) when needed at acceptable prices and terms, including favorable tax treatment, and to recover those costs; new legislation, litigation and government regulation, including changes to tax laws and regulations, oversight of nuclear generation, energy commodity trading and new or heightened requirements for reduced emissions of sulfur, nitrogen, mercury, carbon, soot or PM and other substances that could impact the continued operation, cost recovery and/or profitability of generation plants and related assets; the effects, extent and timing of the entry of additional competition in the markets in which AEP’s subsidiaries operate; timing and resolution of pending and future rate cases, negotiations and other regulatory decisions, including rate or other recovery of new investments in generation, distribution and transmission service and environmental compliance; changes in technology, particularly with respect to energy storage and new, developing, alternative or distributed sources of generation; and changes in utility regulation and the allocation of costs within RTOs including ERCOT, PJM and SPP.



None of the future projections, expectations, estimates or prospects in this Framework should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in this Framework. No representation is made as to the suitability of any Financing Instruments to fulfill environmental and sustainability criteria required by prospective investors. Each potential purchaser of Financing Instruments should determine for itself the relevance of the information contained or referred to in this Framework or the relevant documentation for such Financing Instruments regarding the use of proceeds and its purchase of Financing Instruments should be based upon such investigation as it deems necessary. AEP has set out its intended policy and actions in this Framework in respect of use of proceeds, project evaluation and selection, management of proceeds and reporting, in connection with the Financing Instruments. However, nothing in this Framework is intended to modify or add to any covenant or other contractual obligation undertaken by AEP or any of its subsidiaries in any Financing Instruments that may be issued in accordance with this Framework. This Framework does not create any legally enforceable obligations against AEP or any of its subsidiaries; any such legally enforceable obligations relating to any Financing Instruments are limited to those expressly set forth in the indenture and notes governing such Financing Instruments. Therefore, unless expressly set forth in the indenture and the notes governing such Financing Instruments, it will not be an event of default or breach of contractual obligations under the terms and conditions of any such Financing Instruments if AEP or any of its subsidiaries fails to adhere to this Framework, whether by failing to fund

or complete Eligible Projects or by failing to ensure that proceeds do not contribute directly or indirectly to the financing of the excluded activities as specified in this Framework, or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on uses of proceeds and environmental impacts as anticipated by this Framework, or otherwise. In addition, it should be noted that all of the expected benefits of the Eligible Projects as described in this Framework may not be achieved. Factors including (but not limited to) those described in the immediately preceding paragraph could limit the ability to achieve some or all of the expected benefits of these initiatives, including the funding and completion of Eligible Projects. Each environmentally focused potential investor should be aware that an Eligible Project may not deliver the environmental or sustainability benefits anticipated, and may result in adverse impacts. This Framework does not constitute a recommendation regarding any securities of AEP or its subsidiaries. This Framework is not, does not contain and may not be intended as an offer to sell or a solicitation of any offer to buy any securities issued by AEP or any of its subsidiaries. In particular, neither this document nor any other related material may be distributed or published in any jurisdiction in which it is unlawful to do so, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession such documents may come must inform themselves about, and observe, any applicable restrictions on distribution. Any decision to purchase any Financing Instruments should be made solely on the basis of the information to be contained in any offering document provided in connection with the offering of such Financing Instruments. Prospective investors are required to make their own independent investment decisions.