

# SUPPLIER CODE OF CONDUCT FAQS

## Why does AEP need a Supplier Code of Conduct?

Today, AEP faces growing demand for transparency around supply chain management and resilience. We are rated and ranked on our policies and disclosure around issues such as labor rights, safety and health, anti-bribery, human dignity and data privacy/protection, among others. While AEP has many of these policies, the Supplier Code of Conduct is specific to suppliers and available to the public. As supply chain management metrics become more heavily weighted, this document will help to protect and enhance AEP's environmental, social and governance (ESG) performance.

This document also supports our strategy and goals to attract a more diverse supply chain because it demonstrates to potential business partners the standards and values embraced by AEP.

## What is ESG and how does a Supplier Code of Conduct help?

ESG stands for environmental, social and governance – think of it as AEP's non-financial performance. ESG scores are integrated into decisions made by investors, lenders, credit rating agencies, insurance underwriters, proxy advisors and others. We respond to about a dozen ESG surveys per year; we review additional surveys where raters and rankers have gathered publicly available data to establish an ESG score for AEP. In the past, we relied solely on AEP's Principles of Business Conduct to fill the gap but that is no longer sufficient. Stakeholders want to see specific policies and explicit expectations for suppliers that are public. It isn't uncommon to respond to multiple separate supply chain surveys to support new business development and contract renewals for both the regulated and competitive sides of AEP's business.

Without a Supplier Code of Conduct AEP is at a disadvantage because we don't have public-facing policies that explicitly say what is acceptable and what is unacceptable behavior. Consequently, this lowers our ESG score. This document also serves as supporting documentation when responding to ESG surveys, ratings, and rankings.

Having a Supplier Code of Conduct can also help AEP recruit diverse suppliers as well as prospective employees. A Supplier Code of Conduct signals to external stakeholders our commitment to sustainability. Customers also care about this; many of our large commercial and industrial customers have sustainability goals that include expectations for their suppliers – and we are in *their* supply chain. Having a Supplier Code of Conduct shows them that we share their values.

### **What was the process to develop a Supplier Code of Conduct?**

A cross-functional team developed the Supplier Code of Conduct. The team conducted benchmarking with peers inside and outside of the electric power industry. Among those we benchmarked were Entergy, Duke, Eversource, PPL, PG&E, GM, Microsoft, EY, Owens Corning, and others. We also engaged with the Electric Utility Industry Sustainable Supply Chain Alliance to learn about the industry framework developed by that group. Through this process, we identified the right issues to address in the Supplier Code of Conduct for AEP.

### **Does the Supplier Code of Conduct replace contract Terms & Conditions?**

No, the Supplier Code of Conduct does not replace contract terms and conditions. The Supplier Code of Conduct is an enhancement to or an extension of contract terms and conditions. The Supplier Code of Conduct spells out broad expectations and ideals for suppliers' behavior. It emphasizes to the supplier that poor performance in areas that are of the utmost importance to AEP could put its relationship with AEP at risk.

The Supplier Code of Conduct gives a basic overview of what is expected of suppliers in terms of safety and health, environmental compliance, sustainability, diversity and inclusion, data privacy and protection, company assets, and how to report noncompliance.

### **Will this impact my company's current contractual agreement with AEP?**

The terms and conditions for any contract, change order, amendment will insert the supplier code of conduct in place of the [Principles of Business Conduct](#) moving forward (this source can still be used as a reference by suppliers). No contract will be amended solely for this purpose, but new contracts, change orders or amendments may include the following language:

"Contractor/Consultant agrees to adhere to the AEP Supplier Code of Conduct which can be found at <https://aep.com/b2b/>, replacing any previous AEP Principles of Business Conduct referenced in the Contract/Agreement."

### **Where can I find the Supplier Code of Conduct?**

The [Supplier Code of Conduct](#) can be found on the [Business to Business](#) page of AEP.com or the [Supplier Diversity page](#) of the Corporate Accountability Report.