

Preliminary version

AES SUSTAINABILITY REPORT SUPPLEMENT

2017



Preliminary version

TABLE OF CONTENTS

TABLE OF CONTENTS.....	1
TABLE OF FIGURES.....	2
TABLE OF TABLES	2
ORGANIZATIONAL PROFILE.....	4
G4-6 Countries where AES operates.....	4
G4-8 Markets served	5
G4-12 The AES Corporation Supply Chain	5
COMMITMENTS TO EXTERNAL INITIATIVES	9
G4-14 AES' approach to addressing potential environmental challenges under the precautionary approach	9
G4-15 External charters, principles, or other initiatives endorsed by AES.....	10
G4-16 List memberships of associations and advocacy organizations.....	10
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES.....	12
REPORT PROFILE	16
GOVERNANCE.....	22
ETHICS AND INTEGRITY	30

TABLE OF FIGURES

Figure 1 - Countries where AES has presence	4
Figure 2 - AES CORPORATION SUPPLY CHAIN	7
Figure 3 - AES' Four Guidelines of Environmental Management.....	9
Figure 4 - Material aspects highlighted in this report	13

TABLE OF TABLES

Table 1 - Scale of AES' Strategic Business Units (SBU), businesses and revenue	5
Table 3 - Aspect boundary for material aspects within AES	14
Table 4 - Aspect boundary for material aspects outside AES	15
Table 5 - General Standard Disclosures for "in accordance - CORE"	17
Table 6 - Specific Standard Disclosures for "in accordance - CORE"	19

This document is the Supplement to Preliminary 2017 Sustainability Report. Information contained in this Supplement focus on the company's operations in 2017.

This report has been prepared in accordance with the recommendations of the Global Reporting Initiative, version 4.0, and includes Electric Utility Sector Disclosures. We have chosen to prepare the report in accordance with the criteria listed under the "core" option. Specific Standard Disclosures and disclosures on material topics are addressed in "AES Preliminary Sustainability Report 2017".

ORGANIZATIONAL PROFILE

G4-6 Countries where AES operates

AES' portfolio is diversified across fuel sources, technologies and geographies. We generate and distribute electricity from thermal and renewable sources to help meet the world's changing energy needs.

By the end of 2017, AES had presence in 16 countries across the globe.

- Argentina
- Brazil
- Chile
- Colombia
- Dominican Republic
- El Salvador
- Mexico
- United States
- Panama
- United Kingdom
- Netherlands
- India
- Vietnam
- Philippines
- Bulgaria
- Jordan

Figure 1 - Countries where AES has presence

G4-8 Markets served

Table 1 - Scale of AES' Strategic Business Units (SBU), businesses and revenue

Scale: Strategic Business Units	Countries	Revenues US\$ millions
Andes	3	\$2,710
Brazil	1	\$542
Mexico, Central America & Caribbean (MCAC) ^{1*}	5	\$2,448
Eurasia	7	\$1590
United States (US)	1	\$3,229

Complete details of sectors served, type of businesses and customers by country according to EUSS Organizational Profile protocols (EU1, EU3, EU5), can be found in our [2017 Annual Report and 10-k form](#), starting at page 8.

G4-12 The AES Corporation Supply Chain

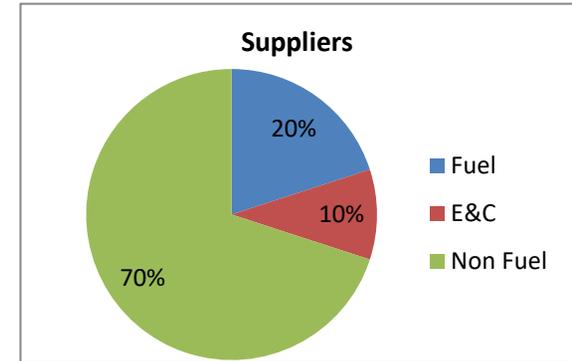
AES has three key areas that perform supply chain activities with over 12,000 suppliers in 2017:

- Fuels
- Engineering and Construction Projects
- Global Supply Chain (non- fuel)

¹ Includes Puerto Rico (US)

The Fuels Group

AES has adopted a coordinated solid fuel procurement approach. This procurement protocol establishes general guidelines and procedures that allow every business to achieve the highest results through the use of risk assessment, hedging strategies, and procurement best practices. This function ensures knowledge transfer and transparency through a consolidated format while actively managing and coordinating the collaboration amongst all business units. This process maximizes cross-business synergies as well as captures market opportunities.



Engineering and Construction

The Engineering and Construction Group is in the business of applying world class engineering and construction resources to complete projects safely, on time and within budget in order to provide high quality, competitively priced power plants and large-scale alternative energy and infrastructure projects.

Global Supply Chain

Our Global Supply Chain Group is responsible to create synergies by leveraging AES global spend as well as our relationships with the supply market. This group also coordinates the implementation of best practices in all our Strategic Business Units and identifies opportunities that can bring sustainably profitable results

To that end our Global Supply Chain Management priorities are:

- Cost management
- Working capital optimization
- Supply Chain sustainability and performance
- Supply Chain modernization and efficiency improvement
- People development

AES has a very diverse and unique portfolio of businesses and market environments. Despite the market and regulatory differences that exist across our many businesses, it is important that each business ensures that all of its procurement activities are carried out in complete alignment with AES values and operational standards.

The AES Supply Chain team is committed to establishing relationships with our businesses' suppliers under the highest standards of integrity, business ethics and compliance with local and international laws.

The AES Corporation Supply Chain Organization

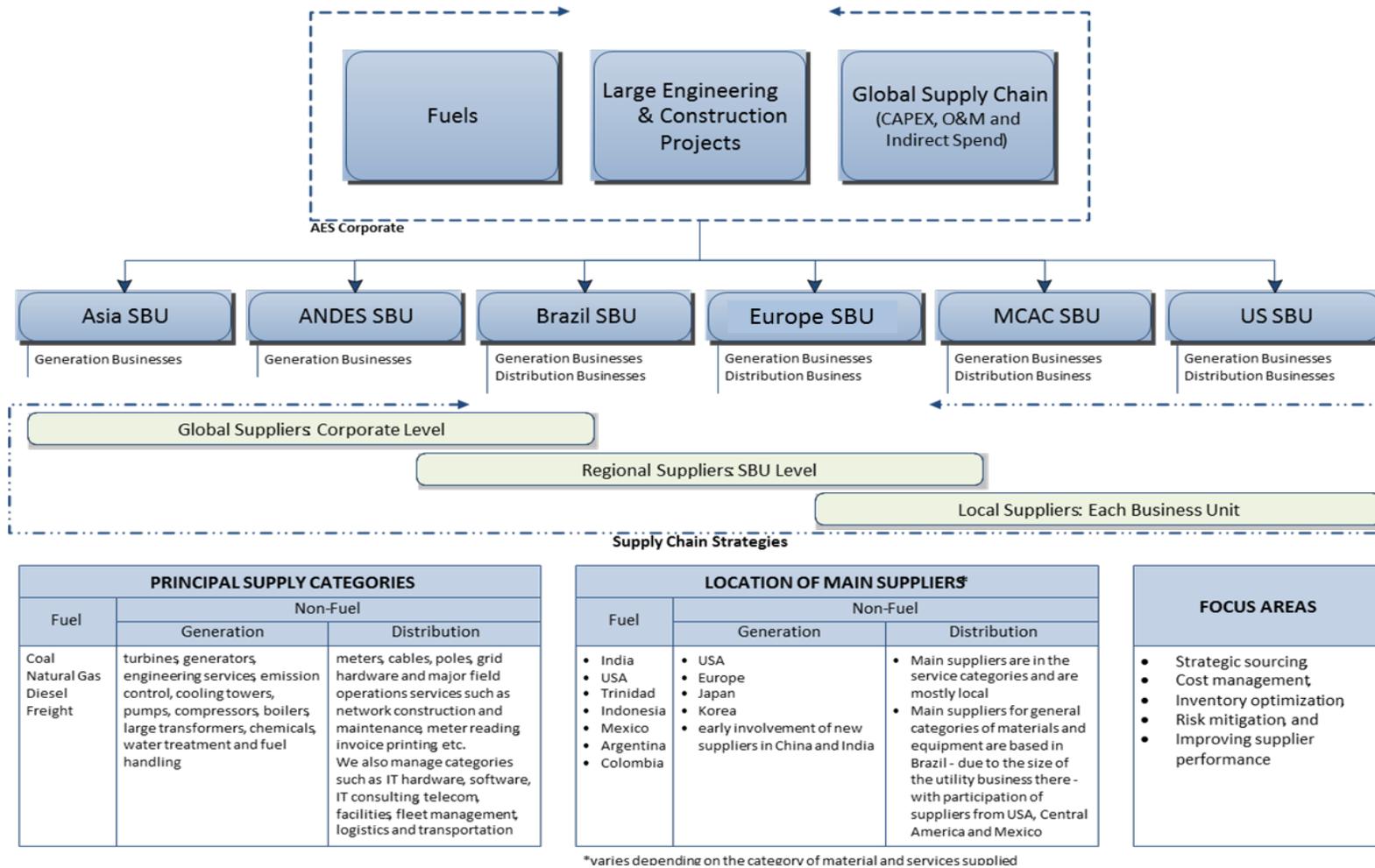


FIGURE 2 - AES CORPORATION SUPPLY CHAIN

Our procurement guidelines define AES business practices and expectations worldwide. We promote a transparent and fair environment for potential suppliers to participate in our bidding processes. Together with our Ethics and Compliance Program, our safety and environmental guidelines and our local teams, we are able to ensure our process includes sustainable practices that support our environment, our stakeholders and the communities we serve.

Prior to agreement and throughout the duration of a contract, AES carefully monitors our suppliers' business practices to ensure they are compliant with our AES Code of Conduct, policies and guidelines. As part of our due diligence process we take notice and ensure that the selection of business partners, suppliers, and vendors follow the standards set forth in our Procure to Pay Policy.

AES has a formal process to define critical suppliers. AES categorizes suppliers in Tiers based on supply complexity and volume of spend. We evaluate each supplier and classify them into 4 tiers, being Tier 1 a critical supplier (most complex, when is key to mitigate risks or economic impact associated with the supplier or spend category, or when there are opportunities for value co-creation). Critical suppliers are defined by the economic impact and the technology footprint they represent to our businesses.

Since January 2015, AES implemented a Category Management program (Category Management Program guidelines attached) to focus on main categories and suppliers. As part of the Category Management Program, Category Managers map suppliers (based on Criticality / Risk / Global reach / Supply complexity and volume of spend) , develop a strategy to cover any future negotiations and the relationship with critical suppliers, do evaluations and work closely with suppliers to maintain and/or improve their performance.

COMMITMENTS TO EXTERNAL INITIATIVES

G4-14 AES' approach to addressing potential environmental challenges under the precautionary approach

AES' management approach to environmental issues is embodied in our third foundational principle of our environmental management system to make decisions on additional expenditures considering the term "environment" as broadly defined to include the external surroundings or conditions within which people live, including ecological, economic, social and all other factors that determine quality of life and standard of living.



FIGURE 3 - AES' FOUR GUIDELINES OF ENVIRONMENTAL MANAGEMENT

G4-15 External charters, principles, or other initiatives endorsed by AES

AES and its subsidiaries have adopted many external charters and principles important in addressing economic, environmental and social issues.

We follow the guidelines of the Equator Principles on new development and acquisitions and several of our businesses are signatories to the United Nations Global Compact. We have adopted the Occupational Health and Safety Assessment Series, OHSAS 18001, for our health and safety management systems at all our businesses. We also subscribe to voluntary international standards and certifications including ISO 14000, Environmental Management Systems and ISO 9000, Quality Management Systems.

Some AES businesses in four countries, representing 30% of the AES global workforce, are signatories and active participants to the UN Global Compact Principles and have adopted the Ten Principles with respect to Human Rights, Labor, Environment and Anti-Corruption.

G4-16 List memberships of associations and advocacy organizations

AES considers membership in associations and advocacy groups important in achieving our strategic goals. Following are the associations in which the company participates:

Edison Electric Institute (EEI)

The Edison Electric Institute (EEI) is the association that represents all U.S. investor-owned electric companies. Organized in 1933, EEI provides public policy leadership, strategic business intelligence, and essential conferences and forums. EEI membership is important to better understanding and addressing the aspects of our industry important to our stakeholders. Our CEO is a member of the governance body and AES staff is encouraged to participate in programs related to reliability, the environment, cyber security, energy efficiency, federal regulation and more.

Trust for the Americas

The Trust for the Americas is a non-profit organization associated with the Organization of American States (OAS). In collaboration with its member countries, the private sector, and civil society, the Trust provides technical, financial, and human resources to build the capacities of marginalized groups throughout the Americas, focusing specifically on generating economic opportunity and fostering inclusive and safe communities. AES has partnered with the Trust to develop a joint educational program (AES POETA Jóvenes). AES serves on the Board of Directors of the organization.

Americas Society/Council of the Americas

The Americas Society/Council of the Americas (AS/COA) is the premier international business organization whose members share a common commitment to economic and social development, open markets, the rule of law, and democracy throughout

the Western Hemisphere. AES' CEO is on the organization's Board of Directors. Further, many AES Executives are engaged in key initiatives developed by the COA across the Hemisphere.

Business Council for International Understanding (BCIU)

BCIU provides an ongoing forum for senior business executives to interact with heads of state/government, cabinet ministers, and senior government officials. Since its inception in 1955, the BCIU has been a neutral, results-oriented partner, facilitating dialogue and alliances between world businesses and political leaders. BCIU coordinated several strategic meetings and gatherings with key players on the global stage. AES also holds a position on the BCIU Board of Directors.

Business Round Table

Business Roundtable (BRT) is an association of chief executive officers of leading U.S. companies working to promote sound public policy and a thriving U.S. economy. Established in 1972, Business Roundtable applies the expertise and experience of its CEO members to the major issues facing the nation. Through research and advocacy, Business Roundtable promotes policies to improve U.S. competitiveness, strengthen the economy, and spur job creation. AES' CEO is a participant member of the association.

Energy Storage Association (ESA)

As the national trade association in the U.S., the Energy Storage Association (ESA) is the leading voice for companies that develop and deploy the multitude of energy storage technologies that people rely on every day. Member companies research, manufacture, distribute, finance, and build energy storage projects domestically and abroad. AES serves on ESA's Board of Directors.

US-Philippines Society

Founded in 2012, the Society is a private sector initiative organized to broaden and expand interaction and understanding in areas of security, trade, investments, tourism, the environment, history, education and culture between the United States and the Philippines. AES serves on the Board of Directors of the organization.

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

G4-17 Entities included in financial reporting

The entities included in The AES Corporation's consolidated financial statements are listed in The 2017 AES Corporation Annual Report which is publicly available on the AES website.

G4-18 Process for defining report content and Aspect boundaries and report content

Our aim is to communicate with our many different stakeholders about issues that are important to them. We recognize that in addition to the financial performance information available through SEC disclosures, our stakeholders are interested in how we manage various sustainability aspects of our business and what our performance has been. In addition to the financial community, we recognize that employees, customers, local policymakers, nongovernmental organizations (NGOs), industry organizations and observers, as well as neighbors at our locations, are all our AES stakeholders.

To develop this report, we followed Global Reporting Initiative, G4 guidelines in identifying "material" aspects that are significant for our business and for our stakeholders.

We consider material aspects and topics as those that reflect AES' significant economic, environmental, or social impacts and those aspects and topics that substantially influence the assessments and decisions of stakeholders.

We considered a set of potentially material aspects and topics that we initially identified and evaluated using various sources including research of industry sector sustainability issues, analysis of issues confronting our peers in the utility industry, media coverage of AES businesses and issues of interest, changes or potential changes in laws and regulation, and feedback received from customers, civil society, regulators and other stakeholders through our stakeholder engagement process. We also considered issues identified via our internal risk management program. Through this process we identified over 50 relevant topics.

The process of defining material aspects was led by a Steering Committee of executives from across the business and approved by the CEO. It is our intention that this process will serve as a model for guiding our sustainability reports and disclosures.

G4-19 Material Aspects and boundaries

The process described above resulted in the material aspects discussed in this report. Figure 4 shows the material aspects based on a matrix of Influence on Stakeholder Assessment and decisions and the significance of Economic, Environmental and Social Impacts.

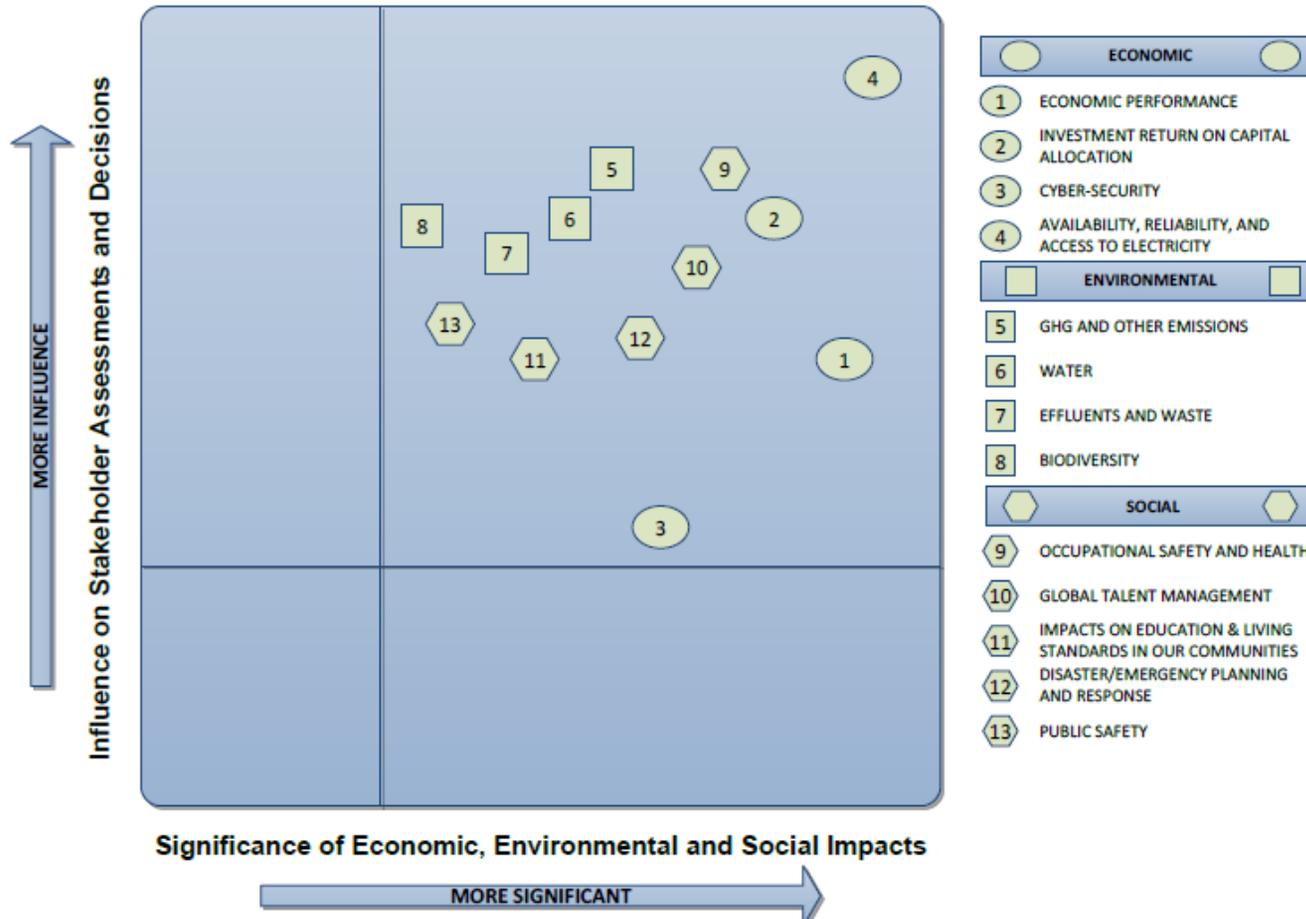


FIGURE 4 - MATERIAL ASPECTS HIGHLIGHTED IN THIS REPORT

G4-20 Aspect boundaries

Boundaries for each material aspect are listed in the following figure.

TABLE 2 - ASPECT BOUNDARY FOR MATERIAL ASPECTS WITHIN AES

Material Aspect	Boundary Within AES					
	SBU					
	ANDESS	BRAZIL	EURASIA	MCAC	US	CORPORATE
Economic Performance	X	X	X	X	X	X
Investment Return on Capital Allocation						X
Availability, Reliability, and Access to Electricity	X	X	X	X	X	X
GHG and other Emissions	X	X	X	X	X	
Water	X	X	X	X	X	
Effluents and Waste	X	X	X	X	X	
Biodiversity	X	X	X	X	X	
Cyber-security	X	X	X	X	X	X
Occupational Safety and Health	X	X	X	X	X	X
AES Global Talent Management	X	X	X	X	X	X
Impacts on Education and Living Standards in our Communities	X	X	X	X	X	X
Disaster/Emergency Planning and Response	X	X	X	X	X	X
Public Safety	X	X	X	X	X	X

G4-21 Aspects material outside the organization

Boundaries for each material aspect outside the organization are listed in the figure below

TABLE 3 - ASPECT BOUNDARY FOR MATERIAL ASPECTS OUTSIDE AES

Material Aspect	Boundary Outside AES						
	SUPPLIERS	COMMUNITY	REGULATORS	INVESTORS	NGOS	PARTNERS	CUSTOMER
Economic Performance	X	X		X			
Investment Return on Capital Allocation				X			
Availability, Reliability, and Access to Electricity	X	X	X	X		X	X
GHG and other Emissions	X	X	X		X		
Water	X	X	X		X		
Effluents and Waste	X	X	X		X		
Biodiversity	X	X	X	X	X		
Cyber-security	X	X				X	X
Occupational Safety and Health		X					
AES Global Talent Management		X					
Impacts on Education and Living Standards in our Communities	X	X			X		
Disaster/Emergency Planning and Response	X	X	X	X		X	
Public Safety	X	X	X				X

G4-22 Effect of restatements

There are no restatements to report.

G4-23 Significant changes in Scope and Aspect Boundaries

We have not identified significant changes from previous reports.



REPORT PROFILE

G4-28 Reporting period

The reporting period covered in the 2016 Sustainability Report s report is January 1st to December 31st 2016.

G4-29 Date of most recent report

The most recent report is the 2016 AES Sustainability Report.

G4-30 Reporting Cycle

This report is issued on an annual basis.

G4-31 Contact point for questions regarding the report or its content

Contact information for comments or feedback on this sustainability report and any other inquiry related to The AES Corporation can be found at <http://www.aes.com/ContactUs/contact-us/default.aspx>

G4-32 GRI content index

The report has been prepared in accordance with the recommendations of the Sustainability Reporting Guidelines, version 4.0, of the Global Reporting Initiative (GRI Guidelines) published in May 2013.

We have chosen to prepare the report in accordance with the criteria listed under the “core” option and include responses to guidance from the Electric Utility Sector Disclosures. We have also responded to several aspects and disclosures listed under the “comprehensive” option.

TABLE 4 - GENERAL STANDARD DISCLOSURES FOR “IN ACCORDANCE - CORE”

Disclosure	Page(s)		
	Sustainability Report	Supplement	Annual Report – 10K form
<i>Strategy and Analysis</i>			
G4-1			3-6
G4-2			103-105
<i>Organizational Profile</i>			
G4-3 to G4-9	3-4	4,5	5, 8-13, 14-37
G4-10	27		
G4-11	27		
G4-12		5-7	
G4-13	3		<i>Annual Report 3-6</i>
G4-14		9	
G4-15		10	
G4-16		10-11	
EU-1	4-5		
EU-3	4		5, 14,28
EU-4	11		

Disclosure	Page(s)		
	Sustainability Report	Supplement	Annual Report – 10K form
Identified Material Aspects and Boundaries			
G4-17 to G4-23		12-15	
Stakeholder Engagement			
G4-24 to G4-27	22-25		
Report Profile			
G4-28 to G4-33		16-21	
Governance			
G4-34- to G4-53		22-29	
G4-54- to G4-55	To be updated		
Ethics and Integrity			
G4-56 to G4-58		30-32	

TABLE 5 - SPECIFIC STANDARD DISCLOSURES FOR "IN ACCORDANCE - CORE"

Material Aspects	DMA and Indicators	Sustainability Report	External Assurance
Availability, Reliability and Access to Electricity	DMA EU28 TO EU 30	8 8-12	
Disaster/Emergency Planning and Response	DMA	14	
Economic Performance	DMA G4-EC1	7 7 (Annual Report pp 7,69)	
Investment Return on Capital Allocation	DMA	7	3-6
Environmental Performance	DMA	15	
Environmental Management: GHG and Other Emissions	DMA G4-EN15 to G4 EN 21	15 15-18	Lloyd's Register Quality Assurance Inc. Limited assurance
Environmental Management: Water	DMA G4-EN8 to G4-EN10	19 19	Lloyd's Register Quality Assurance Inc. Limited assurance
Environmental Management: Effluents and Waste	DMA G4-EN22 to G4-EN24	20 19-20	Lloyd's Register Quality Assurance Inc. Limited assurance
Environmental Management: Biodiversity	DMA	21	
Cyber-security	DMA	13	

Material Aspects	DMA and Indicators	Sustainability Report	External Assurance
Stakeholder Engagement	DMA G4-24 to G4-27	22 22-25	
Impacts on Education and Living Standards in our Communities	DMA	25	
Public Safety	DMA EU25	26 26	
Occupational Safety and Health	DMA G4-LA5 to G4-LA8	29 29-31	Lloyd's Register Quality Assurance Inc. Limited assurance
Global Talent Management	DMA G4-LA9 G4-LA10	28 28 28	

G4-33 External Assurance

The financial aspects included in the Sustainability Report are based upon externally audited financial statements by Ernst & Young, the corporation's existing financial auditor. All entities identified within the 2016 AES Annual Report are also covered in this report which is publicly available on the AES website.

For the EHS aspects, AES used the services of Lloyd's Register Quality Assurance Inc. (LRQA) to conduct a limited assurance of the following 2016 data:

- air emissions (refer to page 37)
- water withdrawal and discharge (refer to page 35)
- CCP generation and recycle/reuse (refer to page 35)
- LTIR for AES people and contractors (refer to page 35)

In addition, much of the critical information provided in the Sustainability Report has been assured via internal groups. The internal organizations selected to perform assurance on specific topics are independent of the AES business units they review and are specialized in the subject area.

Other measures used to ensure the validity of the information provided in this report include: certified registrars validate and certify our operations to various quality, environmental, six sigma and safety standards (e.g., ISO 9000, ISO 14001 and OHSAS 18001).

GOVERNANCE

G4-34 Governance structure of the organization, including committees

The AES Corporation is led and managed by our CEO and the executive management team with the guidance and oversight of our Board of Directors. All our actions, including those of AES leadership and the Board, are grounded in the five shared values that shape the company's culture: Put Safety First, Act with Integrity, Honor Commitments, Strive for Excellence, and Have Fun Through Work.

The business and affairs of the Company are subject to the direction and oversight of the Board. The Board's and the Company's goals are to help meet the world's need for electric power in ways that benefit all of our stakeholders, to build long-term value for the Company's shareholders, and to assure sustained performance and viability of the Company for its owners, employees and other individuals and organizations who depend on the Company.

To achieve these goals, the Board monitors both the performance of the Company (in relation to its goals, strategy and competitors) and the performance of the Chief Executive Officer and other senior management, and provide constructive advice and feedback. The Board is also responsible for assuring that the Company's management and employees operate in a legal and ethically responsible manner, which includes a responsibility to ensure that adequate procedures and controls are in place to foster compliance with applicable laws, rules and regulations governing the Company's businesses.

When it is appropriate or necessary, it is the Board's responsibility to remove the Chief Executive Officer and to select his or her successor. The Board is authorized to retain outside advisors as necessary and appropriate to assist the Board.

For additional information about the Board Leadership Structure and Committees of the Board refer to pages 15-20 in the [2018 Proxy Statement](#).

G4-35 Delegation of authority to senior executives and employees

Our Senior Executives maintain responsibility for day to day management of the Company with oversight by the Board of Directors. The principal officers of the Corporation are elected by the Board of Directors and each such officer shall hold office until his successor is elected and qualified, or until his earlier death, resignation or removal.

G4-36 Executive-level position or positions with responsibility for economic, environmental and social topics

AES has not appointed one individual responsible for economic, environmental and social topics. Rather, several executive positions at the corporate and business functional levels have been established and report to the Executive Leadership Team (ELT) to manage key economic, environmental and social aspects of the Company. For example, the Chief Ethics and Compliance Officer (CECO) focuses on ethics, compliance and values, the Chief Risk Office (CRO) reports potential risk to the ELT and Board, the VP of Stakeholder Management is responsible for interactions with stakeholders with a focus on governmental officials and local communities. The ELT, CECO and CRO report to the Board in a series of formal and informal meetings each year.

G4-37 Report processes for consultation between stakeholders and the Board

The process for consultation between The AES Corporation and its stakeholders is delegated to the functional area closest to the topic under consideration with feedback on critical substance being shared with the Board. For example:

AES tracks and reports safety statistics on a monthly basis using a format that is based on USA Occupational Safety and Health Administration (OSHA) reporting requirements (29 CFR 1904). Safety metrics that are regularly monitored include unsafe behaviors, unsafe conditions, near misses, and progress on implementation of safety action plans identified in AES' Three Year Action Plan.

AES has established an Environmental Management System (EMS), a series of environmental standards based on industry practices, which set environmental performance requirements for each AES business worldwide.

Anticipating, identifying and mitigating risk is an essential element of AES' governance and financial management functions. The Risk Diagnostic Survey rates identified risks and compiles them into business-specific and aggregate "heat maps." This visual tool focuses attention on risks needing active mitigation strategies as well as on potential emerging risks.

The aforementioned programs are reviewed by the Board of Directors and are described in detail on our website (<http://www.aes.com>).

The Board of Directors or the Committee responsible for oversight receive reports on these topics in a series of formal and information meetings during the year.

G4-38 Composition of the Board and its committees

As of April 2018 our Board was comprised of ten members. Nine members, including the Chairman, are independent and one member is an Executive Director (AES' CEO).

A number of our independent Board members are currently serving or have served as Directors or as members of senior management of other public companies. See pages 9-14 of the [2018 Proxy Statement](#) for a full biography of each Director.

We have five Board Committees, three of which are comprised solely of independent Directors, each with a different independent Director serving as Chairman of the Committee. We believe that the number of independent experienced Directors that make up our Board, along with the independent oversight of the Board by the non-executive Chairman, benefits our Company and our Stockholders.

The Board and its Committees provide oversight of the risk management practices implemented by Management. AES Management is responsible for the management and assessment of risk at the Company, including communication of the most material risks to the Board and its Committees.

The Audit Committee maintains initial oversight of risks related to the integrity of the Company's financial statements; internal controls over financial reporting and disclosure controls and procedures (including the performance of the Company's internal audit function); the performance of the independent auditor; and the effectiveness of the Company's Ethics and Compliance Program.

The Company's Nominating, Governance and Corporate Responsibility Committee (Nominating Committee) maintains initial oversight of risks related to workplace safety and cyber security, and our subsidiaries' continuing efforts to ensure compliance with the best practices in these areas. When appropriate, the Nominating Committee also receives environmental reports regarding our subsidiaries' compliance with environmental laws and their efforts to ensure continuing compliance with governing laws and regulations.

The Company's Compensation Committee maintains initial oversight over risks related to the Company's compensation practices, including hiring and retention, succession planning (approved by the full Board), and training of employees.

The Strategy and Investment Committee maintains initial oversight over risks related to our overall strategic plans and capital deployment in the context of our corporate strategy.

The Innovation and Technology Committee is responsible for oversight of the Company's efforts to foster growth through innovation and in evaluating the Company's efforts to identify and address risks and opportunities in the power industry and adjacent industries arising from emerging or competing technologies.

G4-39 Report whether the Chair of the Board is also an executive officer

Our Corporate Governance Guidelines provides for the separation of the offices of the Chairman of the Board ("Chairman") and CEO. If the Chairman is independent, he or she will also serve as Lead Independent Director. Since 1993, we have separated the offices of Chairman and CEO. Since 2003, our Chairman has been an independent Director who has also acted as Lead Independent Director. Our current structure, which includes an independent Chairman serving as Lead Independent Director, helps ensure independent oversight over the Company. See Board Leadership Structure on page 15 of the [2018 Proxy Statement](#) for further information.

G4-40 Nomination and selection processes for Board and its committees, and the criteria used for nominating and selecting highest governance body members

The Nominating Committee charter requires that the Nominating Committee review the composition of the Board to ensure it has the “appropriate balance” of attributes such as knowledge, experience, diversity and other attributes. Furthermore, the Company’s Corporate Governance Guidelines establish that the size of the Board shall be nine to twelve members, a range which “permits diversity of experience without hindering effective discussion or diminishing individual accountability.”

Director nominees are selected on the basis of, among other things, experience, knowledge, skills, expertise, integrity, ability to make independent analytical inquiries, understanding the Company’s global business environment and willingness to devote adequate time and effort to Board responsibilities so as to enhance the Board’s ability to oversee and direct the affairs and business of the Company.

Consistent with these governing documents, both the Nominating Committee and the full Board seek Director Nominees with distinct professional backgrounds, experience and perspectives so that the Board as a whole has the range of skills and viewpoints necessary to fulfill its responsibilities. As part of our annual Board self-evaluation process, the Board evaluates whether or not the Board as a whole has the skills and backgrounds for the current issues facing the Company. The Board also evaluates its effectiveness with regard to specific areas of expertise.

The Nominating Committee is responsible for assessing the appropriate balance of criteria required of Board members and to review annually such assessment with the Board.

For additional information see page 18 of the [2018 Proxy Statement](#).

G4-41 Processes for the Board to ensure conflicts of interest are avoided and managed.

Each year the Board and ELT are required to complete Director and Officer Questionnaires designed to provide information about executive compensation, securities ownership, outside board memberships, potential related-person transactions and insider transactions which permits the Company to confirm the accuracy of its disclosure in its Form 10-K and Proxy Statement.

In addition, the Nominating Committee has adopted a Related Person Transaction Policy, which sets forth in writing the procedures for the review, approval or ratification of any transaction involving an amount in excess of \$120,000 in which in Director or Executive Officer of the Company, any Director nominee, any person who is the beneficial owner of more than 5% of the Company’s stock, or any immediate family members of the forgoing, had a material interests as contemplated by Item 404(a) of Regulation S-K. For additional information regarding the Related Person Transaction Policy see page 21 of the [2018 Proxy Statement](#).

G4-42 Board and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts

The Executive Leadership Team promotes the Company's mission and branding efforts. The Board of Directors annually reviews the Company's strategy. The Strategy and Investment Committee maintains initial oversight over risks related to our overall strategic plans and capital deployment in the context of our corporate strategy. The Nominating Committee considers governance, social responsibility and cyber security issues relating to the Company and considers the scope of the Company's internal environmental and safety audit programs.

G4-43 Report the measures taken to develop and enhance the Board's collective knowledge of economic, environmental and social topics

During each Board Meeting, Management provides regular updates on Risk, Safety and Environment, Operations, Finance, Compliance, Dispute Resolution, Strategy and other matters. The Board also receives a periodic Reading Materials designed to provide insights into the external factors affecting the Company's businesses across the globe. Management invites outside speakers to address the board frequently during the year. Every other year a Board meeting is held at one of Company's businesses and members are encouraged to make additional site visits.

G4-44 Evaluation of the Board's performance with respect to governance of economic, environmental and social topics.

The Nominating Committee is responsible for assessing the appropriate balance of criteria required of Board members and to review annually such assessment with the Board. Two members of the Nominating Committee process the Board's yearly Self-Assessment. They request that all members of the Board complete and return the Questionnaire and they also follow up with each Board member to conduct an oral interview. From these sources, they quantitatively summarize responses and produce a final report which is shared with the full Board in February and where the Board participates in a discussion regarding the results.

G4-45 Board's role in the identification and management of economic, environmental and social impacts, risks, and opportunities.

Our Management is responsible for the management and assessment of risk at the Company, including communication of the most material risks to the Board and its Committees, who provide oversight over the risk management practices implemented by

Management. The Chief Risk Officer provides regular reports and updates to the Board. Our full Board provides oversight with respect to risk management, except for the oversight of risks that have been specifically delegated to a Committee of the Board. See Page 20 of the [2018 Proxy Statement](#) for additional information about the Board's risk oversight. Our Stakeholder Management Team supports our strategic objectives by interpreting and influencing both external and internal environments by creating positive relationships with stakeholders through appropriate management of their expectations and agreed objectives.

G4-46 Board's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics

The Board and its Committees provide oversight over the risk management practices implemented by Management. AES Management is responsible for the management and assessment of risk at the Company, including communication of the most material risks to the Board and its Committees.

The Audit Committee maintains initial oversight over risks related to the integrity of the Company's financial statements; internal controls over financial reporting and disclosure controls and procedures (including the performance of the Company's internal audit function); the performance of the independent auditor; and the effectiveness of the Company's Ethics and Compliance Program.

The Company's Nominating Committee maintains initial oversight over risks related to workplace safety and cyber security, and our subsidiaries' continuing efforts to ensure compliance with the best practices in these areas. When appropriate, the Nominating Committee also receives environmental reports regarding our subsidiaries' compliance with environmental laws and their efforts to ensure continuing compliance with governing laws and regulations.

The Company's Compensation Committee maintains initial oversight over risks related to the Company's compensation practices, including practices related to hiring and retention, succession planning (approved by the full Board), and training of employees.

The Strategy and Investment Committee maintains initial oversight over risks related to our overall strategic plans and capital deployment in the context of our corporate strategy.

The Innovation and Technology Committee is responsible for oversight of the Company's efforts to foster growth through innovation and in evaluating the Company's efforts to identify and address risks and opportunities in the power industry and adjacent industries arising from emerging or competing technologies.

For additional information on the Board's role in risk management see page 20 of the [2018 Proxy Statement](#).

G4-47 Frequency of the Board's review of economic, environmental and social impacts, risks, and opportunities

The AES Board convened eight times in 2017. Board Committees held the following number of meetings in 2016:

- Audit Committee—eight;
- Compensation Committee—eight;
- Innovation and Technology Committee – five;
- Strategy and Investment Committee—five; and
- Nominating Committee—six.

See page 16 and 19 of the [2018 Proxy Statement](#) for additional information.

G4-48 Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered

The Company's Nominating Committee maintains oversight over the issuance of The AES Corporation Sustainability Report. The Nominating Committee also receives environmental reports regarding subsidiaries' compliance with environmental laws and their efforts to ensure continuing compliance with governing laws and regulations.

On an annual basis, the AES Sustainability Steering Committee, made up of executives from various functional areas, presents the Sustainability Report to the Nominating Committee of the Board of Directors for their consideration and presentation to the full Board for final review and approval.

G4-49 Process for communicating critical concerns to the Board

AES has established various means of communication for stakeholders to address the Board with their concerns including secure voice mail and e-mail.

See Stockholder Proposals and Nominations for Director on pages 21-22 of the [2018 Proxy Statement](#) and Communications with the Board or Its Committees on page 23 of the [2018 Proxy Statement](#).

G4-50 Nature and total number of critical concerns that were communicated to the Board and the mechanism(s) used to address and resolve them

The Nominating Committee receives a Biannual Shareholder Communications Report from the Corporate Secretary who summarizes all e-mails directed to each Committee Chair and Chairman. For example, in 2017 the Corporate Secretary reported that the Board received 5,138 e-mail messages, the Financial Audit Committee received 2,307 e-mails, the Nominating Committee received 1,620 e-mails, the Compensation Committee received 1,591 e-mails and the Innovation and Technology Committee received 1,289 e-mails. E-mails were read and when appropriate, given further consideration. When deemed critical, e-mails were forwarded to the appropriate board member, e.g., Committee Chairman, for further action and resolution. In addition to the summaries provided to Committee members, each individual e-mail was provided to Committee member for further review if desired.

G4-51 Remuneration policies for the Board and senior executives

Directors compensation and that of senior executives is explained and defined in the annual Proxy Statement, which can be accessed on the AES website, www.aes.com. See pages 25- of the [2018 Proxy Statement](#).

G4-52 Process for determining remuneration.

In 2012, the Compensation Committee retained the services of its own independent consultant, Meridian Compensation Partners, LLC (“Meridian”), who provided the Compensation Committee with independent knowledge and experience related to executive compensation. The Compensation Committee reviewed the independence of Meridian relative to the final rules released by the SEC regarding engagement of advisors by a compensation committee. Based upon the six factors identified in the final rules, no information was presented which would affect Meridian’s independence.

G4-53 How stakeholders’ views are sought and taken into account regarding remuneration

As recommended by our Compensation Committee, Shareholders vote annually, on an advisory basis, on the Company’s Executive Compensation Program. Since 2011, Shareholders have voted “FOR” the approval of the Company’s Executive Compensation Program by at least 94 percent of the total voting block.

ETHICS AND INTEGRITY

G4-56 Values, code of conduct and ethics and compliance program

AES is a values driven company; our values guide our actions and provide a common framework for how we interact with other AES people, conduct business with our partners and suppliers, and serve our customers and the many communities and environments in which we operate around the world. Our Values Guide, which we refer to as our Code of Conduct, helps each AES person translate our Values into action and act with the highest ethical standards in all of our business activities.

The Code of Conduct contains global policies related to the environment, health and safety, anti-corruption and bribery, fair competition and fair dealing, insider trading, full and accurate financial and operational reporting, protection of company assets and of confidential information, and discrimination and harassment, among others.

In support of our Code of Conduct we also have numerous global policies such as Anti-Corruption, Gift and Entertainment, Charitable Contributions and Political Donations, Lobbying, and Conflicts of Interest. In many cases, these global policies are supported by additional guidance documents and Frequently Asked Questions (FAQ) sheets. AES people may also request guidance on applying these policies to specific situations from supervisors, Compliance personnel, and anonymously through the AES Helpline.

As a global company, AES operates in many different economic and political environments and does business in the context of a wide range of social and cultural customs and traditions. Our Code of Conduct does not intend to provide complete advice for every business situation that may arise, but guides AES people to use good judgment and a sense of pride to translate the Code of Conduct and our Values into action. Our Code of Conduct is available to AES people and external people on the Ethics and Compliance section of the Corporate webpage www.aes.com and is also translated into various local languages. Additionally, many AES businesses have adopted local policies further implementing our Code of Conduct.

Each AES person is oriented on our Code of Conduct during on-boarding and is required to sign an acknowledgment affirming compliance with the Code. Every two years all AES people receive training on the Code and are required to certify to having read and understood the Code and to committing to abide by it. Contractors, suppliers, and service providers are provided a copy of AES' Code of Conduct and are required to acknowledge it. All AES Joint Ventures are required to have their Board of Directors adopt an Ethics and Compliance Program Charter and compliance program consistent with the AES E&C Program.

Our Code of Conduct and our policies are part of an Ethics and Compliance Program (Program), which is implemented through training and education of AES people and certain contractors tracked through attendance records and certifications. Managers at all levels, including senior leadership, lead by example, demonstrate a commitment to AES Values, act with the highest standard of integrity, encourage discussion of the Values, and make themselves available to respond to questions and to receive reports of misconduct. Employees may also direct questions and reports of misconduct to the AES Helpline described below.

The Program also incorporates robust contract compliance review. Contracts, contractors, suppliers, and partners undergo due diligence review appropriate to contract or engagement risk profile. E&C personnel ensure that appropriate compliance language is included in reviewed contracts. The compliance review process and findings are documented and subject to internal audit.

The Program also uses communications posted around AES facilities and distributed electronically or verbally, such as guidance distributed through E&C personnel, periodic newsletters, and posters.

In 2017, AES was once again recognized as one of the World's Most Ethical Companies by the Ethisphere Institute, an independent center of research, best practices, and thought leadership that promotes best practices in corporate ethics and compliance. The award recognizes companies that go beyond making statements about doing business ethically and translate those words into action. <http://worldsmoethicalcompanies.ethisphere.com/honorees/>

G4-57 Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity

AES maintains a dedicated Ethics and Compliance (E&C) Department staffed by experienced professionals at its headquarters and at AES business locations world-wide. The Chief Ethics and Compliance Officer (CECO) is appointed by the AES Board of Directors, reports directly to the Audit Committee, and is a member of senior management. The CECO meets regularly with the Chairman of the Audit Committee and regularly provides reports and updates on E&C issues to the entire Audit Committee.

Employees can ask questions or report suspected wrongdoing to managers or E&C personnel directly, or they can submit reports anonymously through the AES Helpline, which is available globally and 24-hours a day by phone or online.

AES people are encouraged to discuss hypothetical ethical scenarios with each other through a twice yearly "Ethics Champions" program. Arlington E&C personnel conduct site assessments of several AES businesses each year and conduct a bi-annual survey of AES people regarding the perception of the Program and its effectiveness. In addition, AES celebrates and reinforces its Values through an annual Values Day during which employees discuss the meaning of AES Values and often participate in or make a commitment to involvement in social responsibility projects and to our Values.

G4-58 Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity

AES employees, contractors, business partners and others are encouraged to report concerns or alleged improper behavior directly to their manager, or local Compliance Officer or through the AES Helpline described above.

The E&C Department investigates all allegations and responds to all questions. E&C personnel collaborate with management regarding disciplinary and remedial actions to ensure consistency and action consistent with AES Values, policy, law, and regulation. Each investigation and inquiry is carefully documented in the Helpline and reported to AES' independent auditor that selects a subset for on-going monitoring. The Helpline investigation data enables E&C personnel to identify trends in reports and engage business areas to proactively mitigate risks.

AES does not tolerate retaliation against any AES person for raising questions or making a good faith report of improper behavior. AES people are also expected to be truthful and forthcoming. Failure to report improper behavior, knowingly making a false report, or refusing to cooperate with an investigation can be grounds for disciplinary action.

**Assurance Statement related to
Environmental, Health, and Safety Data for Calendar Year 2017
prepared for The AES Corporation**

Terms of Engagement

This Assurance Statement has been prepared for the AES Corporation.

Lloyd's Register Quality Assurance, Inc. (LRQA) was commissioned by the AES Corporation (AES) to assure its Environmental, Health, and Safety (EHS) Data Assertion for the calendar year 2017 (hereafter referred to as "the Assertion")

The Assertion includes the following as they relate to AES power generation facilities:

- Air emissions – Sulphur Dioxide (SO₂), Nitrogen Oxides (NO_x), Particulate Matter (PM) and Mercury (Hg);
- Water withdrawal and discharge;
- Coal combustion and gypsum by-products generation and reuse/recycle;
- Hazardous waste generation; and
- Lost time incident case rates for employees and contractors.

The following were excluded from the Assertion on the basis of their de minimis contribution to the totals:

- Administrative offices and associated activities;
- Energy storage locations (operational and construction);
- AES Distributed Energy (operational, construction, residential)

Management Responsibility

AES's management was responsible for preparing the Assertion and for maintaining effective internal controls over the data and information disclosed. LRQA's responsibility was to carry out an assurance engagement on the Assertion in accordance with our contract with AES

Ultimately, the Assertion has been approved by, and remains the responsibility of AES.

LRQA's Approach

Our verification was conducted in accordance with LRQA's Verification Approach to provide limited assurance that the EHS data as presented in the Assertion have been prepared taking into consideration AES's internal reporting processes and procedures.

To form our conclusion, the assurance was undertaken as a sampling exercise and covered the following activities:

- Reviewed data and information related to the EHS data Assertion;
- Reviewed the processes for the management of data and information related to the EHS data used at the corporate level and by each AES Business Unit;
- Interviewed relevant staff responsible for managing and maintaining data and information and for preparing the EHS data Assertion at the corporate level; and
- Verified historical EHS data and records at an aggregated level for the calendar year 2017.

Level of Assurance & Materiality

The opinion expressed in this Assurance Statement has been formed on the basis of a limited level of assurance and at a materiality of the professional judgment of the Verifier.

LRQA's Opinion

Based on LRQA's approach nothing has come to our attention that would cause us to believe the EHS data disclosed in the Assertion, as summarized in Table 1 below, are not materially correct and have not been prepared in accordance with AES's internal reporting processes and procedures except for the following qualifications:

- Hazardous Waste Generation: 5 facilities reported data inconsistent with evidence provided during verification activities. This finding is not material.



- Coal combustion and gypsum by-products generation and reuse/recycle: Three facilities reported data inconsistent with evidence provided during verification activities. This finding is not material.
- Criteria Air Pollutants: PM is not tracked at three of the sampled facilities. This finding is not material.
- Water: Four facilities reported data inconsistent with evidence provided during the verification activities. These findings are not material.

LRQA's Recommendations

AES should:

- Consider training the personnel at hydro plants on water reporting based on AES definition to improve consistency in the reporting of water withdrawal and discharge across these plants.

Signed

Dated: June 21, 2018

Heather Moore, P.E.

Lead Verifier

On behalf of Lloyd's Register Quality Assurance, Inc.,

1330 Enclave Parkway, Suite 200,

Houston, TX 77077

LRQA Reference: UQA00000462

Table 1. Summary of AES EHS Data Assertion 2017

EHS Data	Quantity	Units
SO2 (Equity Share)	171,966,885	Pounds (lbs)
NOx (Equity Share)	95,738,904	Pounds (lbs)
PM (Equity Share)	9,686,841	Pounds (lbs)
Mercury (Hg) (Equity Share)	1,803	Pounds (lbs)
Total Water Withdrawal	6,617,707,241	Cubic meters
Total Water Discharge	5,569,858,751	Cubic meters
Total Ash / Gypsum Generation	128,174,117	Metric Tonnes
Total Ash / Gypsum Reuse / Recycle	8,402,040	Metric Tonnes
Hazardous Waste Generation	12,635	Metric Tonnes
LTI Case Rate – AES Employees	0.183	Per 200,000 hours
LTI Case Rate – AES Contractors	0.182	Per 200,000 hours
LTI Case Rate – AES Construction	0.064	Per 200,000 hours

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Due to inherent limitations in any internal control, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the verification was not designed to detect all weakness or errors in internal controls so far as they relate to the requirements set out above as the verification has not been performed continuously throughout the period and the verification carried out on the relevant internal controls were on a test basis. Any projection of the evaluation of control to future periods is subject to the risk that the processes may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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**Assurance Statement related to
Greenhouse Gas Emissions Inventory CY 2017
prepared for The AES Corporation**

Terms of Engagement

This Assurance Statement has been prepared for the AES Corporation.

Lloyd's Register Quality Assurance, Inc. (LRQA) was commissioned by the AES Corporation (AES) to assure its greenhouse gas (GHG) emissions inventory for the calendar year 2017 (hereafter referred to as "the Inventory").

The Inventory relates to direct GHG emissions (Scope 1), energy indirect GHG emissions (Scope 2), and other indirect GHG emissions (Scope 3). Scope 3 emissions include electricity sales to customers and business air travel. The GHG emissions are calculated on an equity share basis.

The following GHG emissions sources were excluded from the Inventory on the basis of their de minimis contribution to the total Inventory:

- Administrative offices and associated activities;
- Energy storage locations (operational and construction);
- AES Distributed Energy (operational, construction, and residential);
- Fugitive methane emissions from coal piles.

Management Responsibility

AES's management was responsible for preparing the Inventory and for maintaining effective internal controls over the data and information disclosed. LRQA's responsibility was to carry out an assurance engagement on the Inventory in accordance with our contract with AES

Ultimately, the Inventory has been approved by, and remains the responsibility of AES.

LRQA's Approach

Our verification has been conducted in accordance with ISO 14064–3:2006 *Specification with guidance for validation and verification of greenhouse gas assertions* to provide limited assurance that GHG data as presented in the Inventory have been prepared in conformance with the World Resources Institute/World Business Council for Sustainable Development (WRI/WBCSD) GHG Protocol: *A Corporate Accounting and Reporting Standard*.

To form our conclusion, the assurance was undertaken as a sampling exercise and covered the following activities:

- Reviewed data and information related to the Inventory;
- Reviewed processes for management of data and information related to the Inventory used at the corporate level and by each AES Business Unit;
- Interviewed relevant staff responsible for managing and maintaining data and information and for preparing the Inventory at the corporate level; and
- Verified historical GHG emissions data and records at an aggregated level for the calendar year 2017.

Level of Assurance & Materiality

The opinion expressed in this Assurance Statement has been formed on the basis of a limited level of assurance and at a materiality of the professional judgment of the Verifier.

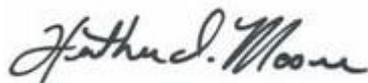
LRQA's Opinion

Based on LRQA's approach nothing has come to our attention that would cause us to believe that the total Scope 1, Scope 2 and Scope 3 GHG emissions disclosed in the Inventory, as summarized in Table 1 below, are not materially correct and the Inventory has not been prepared in accordance with the WRI/WBCSD GHG Protocol, except for the following qualifications:

- Scope 2 purchase electricity emission factors for non-US facilities use IEA 2011 emission factors instead of the most up-to-date factors. This finding is not material.
- Diesel consumption was not reported for one facility. This finding is not material.
- Reported activity data for stationary combustion at two facilities were inconsistent with the evidence provided. These findings are not material.
- The CO₂ emission factors to calculate non-power generation Scope 1 emissions are not consistent with the most up-to-date version of the cited source. This finding is not material.
- One facility double-counted reported electricity consumption for one quarter. This finding is not material.

Signed

Dated: June 21, 2018



Heather Moore, P.E.

Lead Verifier

On behalf of Lloyd's Register Quality Assurance, Inc.,

1330 Enclave Parkway, Suite 200,

Houston, TX 77077

LRQA Reference: UQA00000462

Table 1. Summary of AES GHG Inventory 2017

Item	Quantity	Units
Scope 1 Emissions (Equity Share)	69,189,140	MT CO ₂ e
Scope 2 Emissions Location Based (Equity Share)	66,075	MT CO ₂ e
Scope 2 Emissions Market Based (Equity Share)	70,333	MT CO ₂ e
Scope 2 Emissions T&D Losses	160,068	MT CO ₂ e
Scope 3 Emissions (Equity Share for Category 3 Fuel and energy related emissions not included in scope 1 or	15,420,880	MT CO ₂ e
Scope 3 Emissions (Category 6 Business Travel)	987	MT CO ₂ e

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