

2019

Sustainability Report

Supplement

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Supply Chain

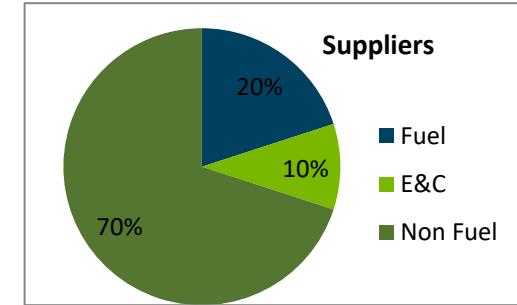
102-9 The AES Corporation Supply Chain

AES has three key areas that perform supply chain activities with over 12,000 suppliers in 2019:

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

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 digitalization 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.

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 Global Procure to Pay Policy.

AES has a formal process to define critical suppliers. AES categorizes suppliers based on supply complexity and volume of spend. Critical suppliers are defined by the economic impact and the technology footprint they represent to our businesses and represents most complex suppliers, 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.

AES has 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.

The AES Corporation Supply Chain Organization

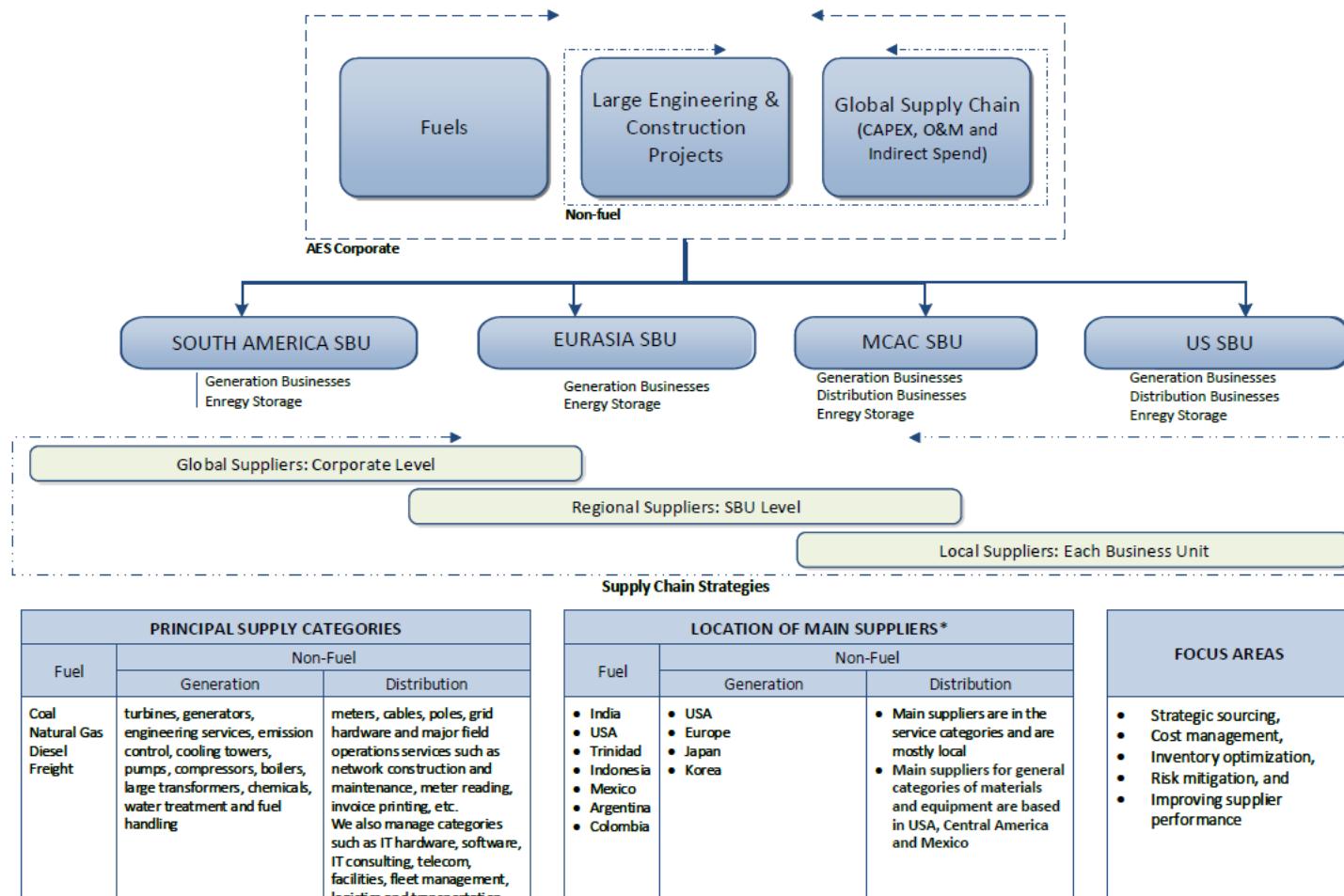


Figure 1 - AES Corporation Supply Chain

Commitment to External Initiatives

102-11 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.

The foundation of our environmental management approach is embodied in the following guidelines:

Meet or exceed the requirements of environmental rules and regulations imposed by local, regional, and national governments and by participating financial institutions.

Meet or exceed our Environmental Standards.

Make decisions on additional expenditures based on a number of factors, including an evaluation of the local, regional and global environment where the term "environment" is broadly defined as 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.

Seek continual improvement of the environmental performance at every AES business.

Figure 2 - AES' Four Guidelines of Environmental Management

102-12 External Charters, Principles, or Other Initiatives Endorsed by AES

AES businesses have adopted some external charters and principles important in addressing economic, environmental and social issues. For example, we could 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 and have adopted the Ten Principles with respect to Human Rights, Labor, Environment and Anti-Corruption (El Salvador, Colombia, Brazil, Panamá).

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, ISO 9000, Quality Management Systems and ISO 55000 for Asset Management.

102-13 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:

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 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.

American National Standards Institute (ANSI)



The ANSI has served in its capacity as administrator and coordinator of the United States private sector voluntary standardization system for more than 90 years. Founded in 1918 by five engineering societies and three government agencies, the Institute remains a private, nonprofit membership organization supported by a diverse constituency of private and public sector organizations. Company participation in ANSI is via two AES representatives being members of the ANSI Z359 committee on Fall Protection Standards.

American Wind Energy Association (AWEA)



The American Wind Energy Association (AWEA) is the national trade association for the U.S. wind industry. With thousands of wind industry members and wind policy advocates, AWEA promotes wind energy as a clean source of electricity for American consumers. Many AES Executives are engaged in key initiatives led by AWEA.

Solar Energy Industries Association



The Solar Energy Industries Association (SEIA) is the driving force behind solar energy and is building a strong solar industry to power America through advocacy and education. As the national trade association for the U.S. solar energy industry, they represent all organizations that promote, manufacture, install and support the development of solar energy. SEIA works with its 1,000 member companies to build jobs and diversity, champion the use of cost-competitive solar in America, remove market barriers and educate the public on the benefits of solar energy. AES serves on the Executive Committee and the Board of Directors of the Organization.

Ethics and Integrity

102-16 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. AES people may also request guidance on applying these policies to specific situations from supervisors, other company leaders, Compliance personnel, and anonymously through the AES Helpline.

AES is committed to complying with the anti-corruption laws of every country in which we operate. As a multi-national company, AES and its subsidiaries are subject to a number of anti-corruption laws and regulations. As part of our commitment to uphold our Values and act with integrity, our Anticorruption policy strictly prohibits corruption in any form, including giving or accepting bribes, even if this prohibition results in AES losing a business opportunity. Facilitation payments, defined as small payments to low-level government officials intended to speed up or secure performance of a routine, non-discretionary government action, are also prohibited under the policy.

The policy also establishes that all charitable contributions and political donations must comply with applicable local laws and the AES Charitable Contributions and Political Donations Policy, which requires that all charitable contributions and political donations made by AES or on behalf of AES to be submitted to and reviewed by the Ethics and Compliance Department in advance. Charitable contributions and political donations may not be made to improperly influence a government official or any other private person for the purpose of obtaining or retaining business or an unfair business advantage for the Company.

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 for reference. 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. Contractors, suppliers, and partners undergo due diligence review appropriate to the specific 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, including guidance distributed through E&C personnel, periodic newsletters, and posters.

Based on 2019 activities, AES was recognized for the seventh consecutive year 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.

102-17 Mechanisms for Advice and Concerns About Ethics

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. In 2019, the AES Helpline received 300 reports from AES business locations worldwide. Seventy-seven percent of these were allegations of suspected wrongdoing and twenty-three percent were requests for guidance or information.

The AES Helpline groups allegations of suspected wrongdoing into six main categories: interactions with third party business partners; company property and assets; financial reporting and controls; interactions with government officials; human resources and AES personnel issues; and safety and environment.

As in prior years, the category of human resources and AES personnel issues recorded the greatest number of reports. Consistent with companies of a similar size, approximately forty percent of allegations reported and closed in 2019 were found to be substantiated in full or in part. When an allegation is substantiated, the AES E&C Department works with relevant business areas to define appropriate remedial action to resolve existing issues, fix past issues when appropriate, and avoid recurrence of the same or similar issues in the future.

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.

AES people are also encouraged to discuss hypothetical ethical scenarios with each other through an "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.

Governance

102-18 Governance Structure of the Organization, Including Committees

The AES Corporation is led and managed by our Chief Executive Officer and the Executive Leadership Team (ELT) with the guidance and oversight of our Board of Directors. All our actions, including those of AES ELT and the Board, are grounded in the five shared values that shape the company's culture: Safety, Integrity, Agility, Excellence, and Fun.

The business and affairs of the Company are subject to the direction and oversight of the Board. The Board oversees the Company's goal to improve lives by accelerating a safer and greener energy future 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 oversees 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 provides constructive advice and feedback. When it is appropriate or necessary, the Board may 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.

The Board maintains four standing Committees: Compensation Committee, Financial Audit Committee, Governance Committee and Innovation and Technology Committee. The Board and Committees provide oversight over the risk management practices implemented by management.

For additional information about the Board Leadership Structure and Committees of the Board refer to pages 15-20 in the [2020 Proxy Statement](#)

102-19 Delegation of Authority to Senior Executives and Employees

Our ELT maintains responsibility for day to day management of the Company with oversight by the Board of Directors. The principal officers of the Corporation are appointed by the Board of Directors and each such officer holds office until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal.

102-20 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 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 Director 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.

102-21 Consulting Stakeholders on Economic, Environmental, and Social Topics

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.

102-22 Composition of the Highest Governance Body and its Committees

As of April 2019, 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 22-31 of the [2020 Proxy Statement](#) for a full biography of each Director.

We have four 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 Governance 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 Governance 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 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.

See pages 16-19 of the [2020 Proxy Statement](#) for a full description of each Committee and AES' risk management oversight structure.

102-23 Chair of the Highest Governance Body

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. In December 2018, the Corporate Governance Guidelines were amended to provide that whenever possible the Chairman shall be an 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 [2020 Proxy Statement](#) for further information.

102-24 Nominating and Selecting the Highest Governance Body

The Governance Committee charter requires that the Governance 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, diversity, 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 Governance 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. In 2019, the Board enhanced its succession planning in light of the Comppany’s strategic direction and business context. The Governance Committee focuses on the development of a Board composed of directors that are aligned with the AES business strategy. As part of our annual Board self-evaluation process, the Board evaluates whether or not the Board as a whole continues to have the skills and backgrounds for the current issues facing the Company.

The Governance Committee also considers potential nominations for Director provided by Stockholders and submits any such suggested nominations, when appropriate to the Board for approval. The evaluation process for nominees recommended by Stockholders does not differ from the process described above for other nominees.

For additional information see page 20-21 of the [2020 Proxy Statement](#).

102-25 Conflicts of Interest

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 Governance 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 US\$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 percent 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 13 of the [2020 Proxy Statement](#).

102-26 Role of Highest Governance Body in Setting Purpose, Values, and Strategy

The ELT promotes the Company's mission, purpose and values. The Board of Directors receives presentations at each meeting on the Company's strategy and annually does an in-depth review of the Company's long-term strategy. The Governance 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.

102-27 Collective Knowledge of Highest Governance Body

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 as needed during the year. Directors are encouraged to make site visits to the Company's businesses.

102-28 Evaluating the Highest Governance Body's Performance

The Governance Committee sponsors an annual self-assessment of the Board's performance, as well as the performance of each committee of the Board, the results are discussed with the full Board and each committee. The assessment includes a review of any areas in which the Directors believes the Board can make a better contribution to the Company and a third party may be hired to assist at the Governance Committee's recommendation.

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

In 2019, the Board engaged an independent firm to provide a Board effectiveness review. This review included a survey of management, individual interviews with Management and in-depth interviews with each Director. Also, each Board Member completes a yearly Director and Officer Questionnaire (structured to test compliance with NYSE and SEC regulations and other factors relevant to the Board's effectiveness) which is reviewed by outside counsel and our independent auditors.

102-29 Identifying and Managing Economic, Environmental, and Social Impacts.

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 19 of the [2020 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.

102-30 Effectiveness of Risk Management Processes

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 Governance 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 Governance 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 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 19 of the [2020 Proxy Statement](#)

102-31 Frequency of the Board's Review of Economic, Environmental and Social Impacts, Risks, and Opportunities

The AES Board convened five times in 2019. Board Committees held the following number of meetings in 2019:

- Audit Committee—eight;
- Compensation Committee— seven;
- Innovation and Technology Committee—four;

- Governance Committee—six.

See page 15 - 16 of the [2020 Proxy Statement](#) for additional information.

102-32 Highest Governance Body's Role in Sustainability Reporting

The Company's Governance Committee maintains oversight over the issuance of The AES Corporation Sustainability Report. The Governance 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 Governance Committee of the Board of Directors for their consideration and presentation to the full Board for final review and approval.

102-33 Communicating Critical Concerns

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 [2019 Proxy Statement](#) and Communications with the Board or Its Committees on page 23 of the [2019 Proxy Statement](#).

102-34 Nature and Total Number of Critical Concerns

The Governance 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 2019 the Corporate Secretary reported that the Board received 5,676 e-mail messages, the Financial Audit Committee received 2,750 e-mails, the Governance Committee received 1,675 e-mails, the Compensation Committee received 1,741 e-mails and the Innovation and Technology Committee received 2,067 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.

102-35 Remuneration Policies

Directors compensation and that of certain senior executives is explained and defined in the annual Proxy Statement, which can be accessed on the AES website, www.aes.com. See pages 32-64 of the [2020 Proxy Statement](#).

102-36 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.

102-37 Stakeholders’ Involvement in 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.

Reporting Practice and Material Aspects

102-45 Entities Included in Financial Reporting

The entities included in The AES Corporation's consolidated financial statements are listed in The 2019 AES Corporation Annual Report which is publicly available on the AES website.

102-46 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.

102-47, 102-49 Material Aspects and Boundaries

The process described above resulted in the material aspects discussed in this report. Figure 3 shows the material aspects based on a matrix of Influence on Stakeholder Assessment and decisions and the significance of Economic, Environmental and Social Impacts. There has been no changes in the material aspects or boundaries from previous reporting years.

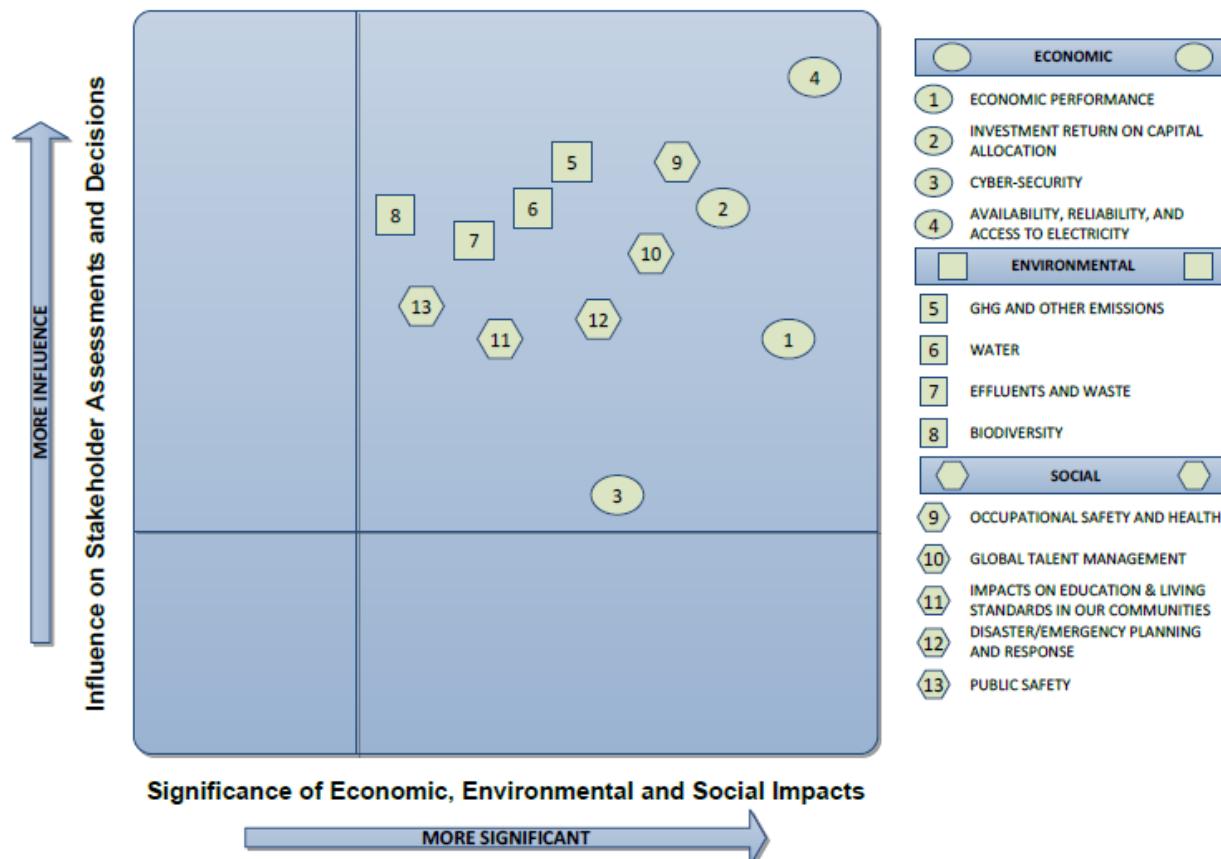


FIGURE 3 - MATERIAL ASPECTS HIGHLIGHTED IN THIS REPORT

Material Aspects Highlighted in this Report

This report is structured to present the following “material aspects” within the context of our five broad strategic initiatives.

FINANCIAL EXCELLENCE	Economic Performance Investment Return on Capital Allocation
OPERATIONAL EXCELLENCE	Availability, Reliability and Access to Electricity Cybersecurity Disaster/Emergency Planning and Response
ENVIRONMENTAL PERFORMANCE	Air Emissions Water Effluents and Byproducts Biodiversity
STAKEHOLDER ENGAGEMENT	Impacts on Education and Living Standards in Our Communities Public Safety
OUR PEOPLE	Global Talent Management Occupational Health and Safety

Aspect Boundaries

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

Table 1 - Aspect Boundary for Material Aspects Within AES

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

Boundary for Material Aspects Outside the Organization

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

Table 2 - Aspect Boundary for Material Aspects Outside AES

Material Aspect	Boundary Outside AES						
	SUPPLIERS	COMMUNITY	REGULATORS	INVESTORS	NGOS	PARTNERS	CUSTOMER
Economic Performance	X	X		X		X	
Investment Return on Capital Allocation				X		X	
Availability, Reliability, and Access to Electricity	X	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		
Biodiversity	X	X	X	X	X	X	X
Cyber-security	X	X	X			X	X
Occupational Safety and Health		X					
AES Global Talent Management		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	
Public Safety	X	X	X		X		X

102-48 Effect of Restatements

N/A

102-50, 102-52 Reporting Period and Cycle

The reporting period covered in the 2019 Sustainability Report s report is January 1st to December 31st 2019. This report is issued on an annual basis.

All the data included in the environmental performance and Social indicators covers all business where AES has operational control.

102-51 Date of Most Recent Report

The date of the most recent previous report is the 2019 AES Sustainability Report.

102-53 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>

102-54 Claims of Reporting in Accordance with the GRI Standards

The report has been prepared in accordance with the recommendations of the Global Reporting Initiative Standards and includes Electric Utility Sector Disclosures. We have chosen to prepare the report in accordance with the criteria listed under the “core” option. We have also responded to several aspects and disclosures listed under the “comprehensive” option.

GRI Content Index

GRI 102: General Disclosures

General Disclosure	Reference ¹			
	AR	SR	SRS	PS
1. ORGANIZATIONAL PROFILE				
102-1 Name of the organization	4	3		
102-2 Activities, brands, products, and services	5, 6-10	4, 5, 14-18		
102-3 Location of headquarters		3		
102-4 Location of operations	11-14, 22-25, 31-33, 37-39	4		
102-5 Ownership and legal form		3		
102-6 Markets served	11-14, 22-25, 31-33, 37-39	4		
102-7 Scale of the organization	5	4		
102-8 Information on employees and other workers		61 (Table 33)		
102-9 Supply chain			3-5	

¹ AR -Annual Report and 10K

SR – 2019 Sustainability Report

SRS – 2019 Sustainability Report Supplement

PS: Proxy Statement

General Disclosure	Reference²			
	AR	SR	SRS	PS
102-10 Significant changes to the organization and its supply chain			3-5	
102-11 Precautionary Principle or approach			6	
102-12 External initiatives			7	
102-13 Membership of associations			7-9	
2. STRATEGY				
102-14 Statement from senior decision-maker	4-6			
102-15 Key impacts, risks, and opportunities	4-7, 51-70			
3. ETHICS AND INTEGRITY				
102-16 Values, principles, standards, and norms of behavior			10	
102-17 Mechanisms for advice and concerns about ethics			11-12	
4. GOVERNANCE				
102-18 Governance structure			13	15-21
102-19 Delegating authority			13	
102-20 Executive-level responsibility for economic, environmental, and social topics			14	
102-21 Consulting stakeholders on economic, environmental, and social topics			14	
102-22 Composition of the highest governance body and its committees			14,15	15-18, 22-31

General Disclosure	Reference³			
	AR	SR	SRS	PS
102-23 Chair of the highest governance body			15,16	29
102-24 Nominating and selecting the highest governance body			16	71,72
102-25 Conflicts of interest			16,17	13
102-26 Role of highest governance body in setting purpose, values, and strategy			17	
102-27 Collective knowledge of highest governance body			17	
102-28 Evaluating the highest governance body's performance			17	9,20
102-29 Identifying and managing economic, environmental, and social impacts			18	
102-30 Effectiveness of risk management processes			18	18,19
102-31 Review of economic, environmental, and social topics			18,19	
102-32 Highest governance body's role in sustainability reporting			19	
102-33 Communicating critical concerns			19	
102-34 Nature and total number of critical concerns			19	
102-35 Remuneration policies			20	32-64
102-36 Process for determining remuneration			20	32-64

General Disclosure	Reference⁴			
	AR	SR	SRS	PS
102-37 Stakeholders' involvement in remuneration			20	32-64
102-38 Annual total compensation ratio		60 (Table 32)		63
102-39 Percentage increase in annual total compensation ratio		60 (Table 32)		
5. STAKEHOLDER ENGAGEMENT				
102-40 List of stakeholder groups		45-47 (Table 29)		
102-41 Collective bargaining agreements		55		
102-42 Identifying and selecting stakeholders		44,45		
102-43 Approach to stakeholder engagement		44,45		
102-44 Key topics and concerns raised		45-47 (Table 29)		
6. REPORTING PRACTICE				
102-45 Entities included in the consolidated financial statements			21	
102-46 Defining report content and topic Boundaries	79		21	
102-47 List of material topics			22-25	
102-48 Restatements of information			26	
102-49 Changes in reporting			26	

General Disclosure	Reference⁵			
	AR	SR	SRS	PS
102-50 Reporting period			26	
102-51 Date of most recent report			26	
102-52 Reporting cycle			26	
102-53 Contact point for questions regarding the report			26	
102-54 Claims of reporting in accordance with the GRI Standards			26	
102-55 GRI content index			27	
102-56 External assurance			38-	
ELECTRIC UTILITIES SPECIFIC DISCLOSURES				
EU1- Installed capacity, broken down by primary energy source and by regulatory regime	11-13, 22-24,31,32,37,38	5 (Figure 1)		
EU2 - Energy output broken down by primary energy source and by regulatory regime		21 (Table 3)		
EU3 - Number of residential, industrial, institutional and commercial customer accounts	12,13,23,24,32,38	21 (Table 5)		
EU4 - Length of above and underground transmission and distribution lines by regulatory regime		22 (Table 6)		

Material Topics specific disclosure	Reference⁶			
	AR	SR	SRS	PS
INVESTMENT RETURN ON CAPITAL ALLOCATION				
DMA – Management Approach		6		
EC1 Direct economic value generated		7		
EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change		65,66 ⁷		
AVAILABILITY, RELIABILITY AND ACCESS TO ELECTRICITY				
DMA – Management Approach		13,14		
EU10 Planned capacity broken down by energy source and regulatory regime		22 (Table 7)		
EU11 Generation Efficiency of Thermal Plants		23 (Table 8)		
EU12 Transmission and distribution losses		23 (Table 9)		
EU28 Power outage frequency		23 (Table 10)		
EU29 Average power outage duration		23 (Table 11)		
EU30 Average plant availability factor by energy source		24 (Table 13, 14)		
302-1 Energy consumption within the organization		21 (Table 4)		

6 AR -Annual Report and 10K

SR – 2019 Sustainability Report

SRS – 2019 Sustainability Report Supplement

PS: Proxy Statement

7 Please refer to Climate Scenario Report https://s2.q4cdn.com/825052743/files/doc_downloads/2018/11/AES_Climate_Scenario_Report111318.pdf

Material Topics specific disclosure	Reference⁸			
	AR	SR	SRS	PS
CYBER-SECURITY				
DMA – Management Approach		71,72		
Program description and initiatives		72		
418-1 Customer Privacy		72		
DISASTER/EMERGENCY PLANNING AND RESPONSE				
DMA – Management Approach and description		73,74		
ENVIRONMENTAL MANAGEMENT: GHG AND OTHER EMISSIONS				
DMA – Management Approach		25,26		
305-1 Direct (Scope 1) GHG emissions		28 (Table 15)		
305-2 Energy indirect (Scope 2) GHG emissions		30 (Table 18)		
305-3 Other indirect (Scope 3) GHG emissions		30 (Table 19)		
305-4 GHG emissions intensity		28 (Table 15)		
305-5 Reduction of GHG emissions		30-32		
305-7 NOX, SOX, and other significant air emissions		29 (Table 16)		
ENVIRONMENTAL MANAGEMENT: WATER				
DMA – Management Approach		32,33		

⁸ AR -Annual Report and 10K

SR – 2019 Sustainability Report

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Material Topics specific disclosure	Reference⁹			
	AR	SR	SRS	PS
303-1 Interactions with water as a shared resource		36		
303-2 Management of water discharge-related impacts		32-33		
303-3 Water withdrawal / 303-4 Water discharge		34, 35 (Tables 20,21,22)		
303-5 Water consumption		34 (Table 20) 35 (Table 23)		
ENVIRONMENTAL MANAGEMENT: EFFLUENTS AND WASTE				
DMA – Management Approach		37		
306-3 Significant spills		40		
ENVIRONMENTAL MANAGEMENT: BIODIVERSITY				
DMA – Management Approach		40,41		
Biodiversity activities and programs		42,43		
STAKEHOLDER ENGAGEMENT				
DMA – Management Approach		44,45		

⁹ AR -Annual Report and 10K

SR – 2019 Sustainability Report

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Material Topics specific disclosure	Reference¹⁰			
	AR	SR	SRS	PS
102-40 to 102-44 - Stakeholder Engagement		45-47 (Table 29)		
Impacts on Education and Living Standards in our Communities		48-50		
DMA – Management Approach				
412-1 Operations that have been subject to human rights reviews or impact assessments		51		
Public Safety		52,53		
DMA – Management Approach				
EU25 Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases		52 (Table 31)		
OUR PEOPLE				
DMA – Management Approach		54,55		
405-1 Diversity of governance bodies and employees		61 (Tables 33 & 34)		7, 22-31
401-1 Employee turnover		61		
407-1 Freedom of Association and Collective Bargaining		55		
102-41 Collective bargaining agreements		55		

¹⁰ AR -Annual Report and 10K Statement

Material Topics specific disclosure	Reference¹¹			
	AR	SR	SRS	PS
Our People: Global Talent Management DMA – Management Approach		55-60		
404-1 Average hours of training per year per employee		56		
404-2 Programs for upgrading employee skills and transition assistance programs		56,57,63		
102-38 Annual total compensation ratio		60 (Table 32)		
102-39 Percentage increase in annual total compensation ratio		60 (Table 32)		
OUR PEOPLE				
Occupational Safety and Health - DMA – Management Approach		64,65		
403-1 Occupational health and safety management system		64,65		
403-2 Hazard identification, risk assessment, and incident investigation		64,65		
403-3 Occupational health services		70		
403-4 Worker participation, consultation, and communication on occupational health and safety		68		
403-5 Worker training on occupational health and safety		68,69		
403-8 Workers covered by an occupational health and safety management system		68-70		
403-9 Work-related injuries		66 (Figure 6, Table 40)		

¹¹ AR -Annual Report and 10K Statement

External Assurance

102-56 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 2019 AES Annual Report are also covered in this report which is publicly available on the AES website.

For the Environmental and Safety aspects, AES used the services of Lloyd's Register Quality Assurance Inc. (LRQA) to conduct a limited assurance of the following 2019 data:

- air emissions
- water withdrawal and discharge
- CCP generation and recycle/reuse
- LTIR for AES people and contractors
- • Hazardous Waste
- • Gross & Net Generation MWh

The assurance statements are included at the end of this document.

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).



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LRQA Independent Assurance Statement

Relating to The AES Corporation's Greenhouse Gas and Environmental Health and Safety Inventories for Calendar Year 2019

This Assurance Statement has been prepared for The AES Corporation in accordance with our contract.

Terms of Engagement

Lloyd's Register Quality Assurance (LRQA) was commissioned by The AES Corporation (AES) to provide independent assurance on its greenhouse gas (GHG) emissions and Environmental Health and Safety (EHS) data (the Report) for Calendar Year 2019 against the assurance criteria below to a limited level of assurance and at the materiality of the professional judgement of the verifier using LRQA's verification procedure. LRQA's verification procedure is in accordance with ISO 14064 - Part 3 for GHG emissions and current best practice for other EHS data.

Our assurance engagement covered AES' international corporate-level operations and activities during Calendar Year 2019, and specifically the following requirements:

- Verifying conformance with:
 - AES' reporting methodologies for the selected datasets,
 - World Resources Institute / World Business Council for Sustainable Development Greenhouse Gas Protocol: A corporate accounting and reporting standard, revised edition (otherwise referred to as the WRI/WBCSD GHG Protocol) for the GHG data¹
- Evaluating the accuracy and reliability of data and information for only the selected indicators listed below:
 - Direct (Scope 1), Energy Indirect (Scope 2) and Other Indirect (Scope 3) GHG emissions;
 - Scope 3 GHG emissions verified by LRQA only include Electricity Sales and Business Air Travel.
 - Other Air Emissions (Sulfur Dioxide, Nitrogen Oxides, Particulate Matter, Mercury);
 - Gross and Net Electricity Generation;
 - Water Withdrawal and Discharge;
 - Hazardous Waste Generated;
 - Ash/Gypsum Generation and Recycle; and
 - Lost time incidents.

Our assurance engagement excluded the following data and information:

- The following potential sources of GHG and other emissions were excluded from the inventory on the basis of their de minimis contribution to the total inventory: administrative offices, wind and solar renewable energy plants, energy storage, AES Distributed Energy, and fugitive methane emissions from coal);
- Water accessed for generation at hydroelectric plants is not considered a withdrawal or discharge. For consistency, all water use at hydroelectric plants is excluded;
- GHG emissions and EHS data related to AES' suppliers, contractors and any other third-parties were excluded, except as follows: Lost Time Incident data for operations and construction contractors is included where AES has personnel onsite to enforce AES' EHS requirements.

LRQA's responsibility is only to AES. LRQA disclaims any liability or responsibility to others as explained in the end footnote. AES' responsibility is for collecting, aggregating, analysing and presenting all the data and information within the Report and for maintaining effective internal controls over the systems from which the Report is derived. Ultimately, the Report has been approved by, and remains the responsibility of AES.

LRQA's Opinion

Based on LRQA's approach, except for the effect of the matters described in the Basis for Qualified Opinion, nothing has come to our attention that would cause us to believe that AES has not, in all material respects:

- Met the requirements of the criteria listed above; and
- Disclosed accurate and reliable performance data and information as summarized in Table 1 below.

¹ <http://www.ghgprotocol.org/>



Lloyd's
Register

The opinion expressed is formed on the basis of a limited level of assurance² and at the materiality of the professional judgement of the verifier.

Basis for Qualified Opinion

AES reporting is qualified as follows:

- Scope 2 purchased electricity emission estimates for non-US facilities use International Energy Agency's (IEA) publicly available 2011 emission factors instead of IEA's most up-to-date licensed factors;
- Hazardous waste estimates rely on hazardous waste classifications by plants that may vary by international standards.

The above qualifications are not material.

Table 1. Summary of AES Greenhouse Gas and Environmental Health and Safety Data for Calendar Year 2019

EHS Data ¹	Quantity	Units
Scope 1 GHG Emissions, excluding Biogenic	48,990,198	Metric Tonnes CO2e
Scope 1 GHG Emissions, Biogenic	101,991	Metric Tonnes CO2e
Scope 2 GHG Emissions Electricity Purchases (Location-Based)	99,437	Metric Tonnes CO2e
Scope 2 GHG Emissions Electricity Purchases (Market-Based)	100,855	Metric Tonnes CO2e
Scope 2 GHG Emissions Transmission & Distribution Losses	259,540	Metric Tonnes CO2e
Scope 3 GHG Emissions Category 3 Electricity Sales	10,094,904	Metric Tonnes CO2e
Scope 3 GHG Emissions Category 6 Business Air Travel	1,226	Metric Tonnes CO2e
Sulfur Dioxide Emissions	168,060,029	Pounds
Nitrogen Oxides Emissions	92,187,158	Pounds
Particulate Matter Emissions	7,758,642	Pounds
Mercury Emissions	1,123	Pounds
Gross Electricity Generation	74,873,841	Megawatt Hours
Net Electricity Generation	69,908,810	Megawatt Hours
Total Water Withdrawal	4,982,807,472	Cubic Meters
Total Water Discharge	4,885,355,136	Cubic Meters
Total Ash/Gypsum Generation	7,978,046	Metric Tonnes
Total Ash/Gypsum Reuse/Recycle	1,618,965	Metric Tonnes
Hazardous Waste Generation	6,135	Metric Tonnes
Lost Time Incident Case Rate-AES Employees	0.089	Per 200,000 Hours
Lost Time Incident Case Rate-Operations Contractors	0.151	Per 200,000 Hours
Lost Time Incident Case Rate-Construction Contractors	0.023	Per 200,000 Hours

1. GHG, Other Air Emissions, and Electricity Generation data is based on equity share. Water, Hazardous Waste, Ash/Gypsum, and Lost Time Incident data are based on operational control.

² The extent of evidence-gathering for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a limited assurance engagement is lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.



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LRQA's Approach

LRQA's assurance engagements are carried out in accordance with our verification procedure. The following tasks were undertaken as part of the evidence gathering process for this assurance engagement:

- Reviewing 2019 GHG emissions data and EHS records at an aggregated level;
- Performing a risk assessment and developing a Verification Plan and Sampling Plan;
- Interviewing relevant employees of the organization responsible for managing GHG emissions and EHS data;
- Sampling 2019 GHG emissions and EHS data from individual facilities for comparison with aggregated data;
- Providing findings on misstatements or nonconformities in the draft report; and
- Confirming AES resolution of findings.

LRQA's Standards, Competence and Independence

LRQA implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14065 *Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition* and ISO/IEC 17021 *Conformity assessment – Requirements for bodies providing audit and certification of management systems* that are at least as demanding as the requirements of the International Standard on Quality Control 1 and comply with the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants.

LRQA ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

Signed

Dated: 8 May, 2020

Thomas Berge
LRQA Lead Verifier
On behalf of Lloyd's Register Quality Assurance, Inc.
1330 Enclave Parkway, Suite 200
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LRQA reference: UQA00000462

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