

# FIRST ANNUAL SUSTAINABILITY REPORT 2012

## A History of Improving Lives



The AES Corporation's open disclosure on general and specific sustainability indicators based on AES' activities, impacts, and substantive expectations and interests of our stakeholders.



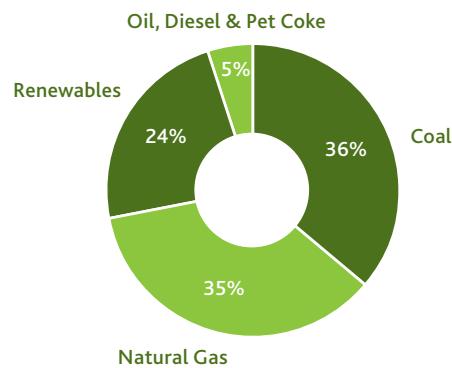
This is The AES Corporation's (AES) First Sustainability Report. Performance data and information contained in this report focus on the company's operations in 2012 and the preceding 3 to 5 years for context. Future sustainability reports will cover operations and activities on an annual period. Updated financial and other data, including current Securities and Exchange Commission filings, can be found on the AES website, [www.aes.com](http://www.aes.com).

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. **General Standard Disclosures**, including the **GRI Content Index**, are addressed in the **Supplement to this Report**.

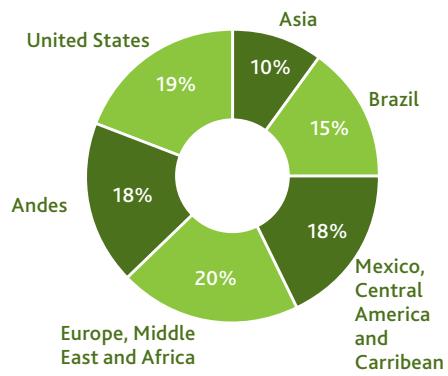
# PERFORMANCE DATA SUMMARY

## Diversity Across Energy Sources & Markets

### MEGAWATTS BY FUEL TYPE



### ADJUSTED PRE-TAX CONTRIBUTION BY STRATEGIC BUSINESS UNIT<sup>1</sup>



**Figure 1: Scale of The AES Corporation**

Scale: The AES Corporation	As of December 31, 2012
Total number of employees	24,870
Total number of countries/operations/utilities	25 countries/71 operations/9 utilities
Revenue / Total Assets*	\$18.141 billion / \$42 billion assets
Quantity of products or services provided	39,429 MW capacity; 101,062 GWh energy delivered
Total assets	\$41.8 billion

Beneficial ownership	China Investment Corporation	17.4 percent
	T. Rowe Price Associates, Inc.	8.9 percent
	Fidelity Management & Research Co.	7.5 percent
	BlackRock	7.2 percent
	The Vanguard Group, Inc.	5.2 percent

\*Additional financial information is located in The AES Corporation 2012 Annual Report and 10K

**Figure 2: Scale of AES' Strategic Business Units (SBU), employees, businesses and revenues (As of December 31, 2012)**

Scale: Strategic Business Units	Employees	Businesses	Costs (\$ billion)	Revenue (\$ billion)
Andes	1,544	9	\$2.440	\$3.020
Brazil	7,426	4	\$5.838	\$6.807
Mexico, Central America & the Caribbean (MCAC)	1,749	16	\$2.012	\$2.573
Europe, Middle East & Africa (EMEA)	9,612	25	\$1.299	\$1.867
Asia	405	5	\$488	\$738
United States (US)	3,575	19	\$3.039	\$3.759

**Figure 3: Electric Utility Profile Summary (by SBU, As of December 31, 2012)**

Profile by SBU	Installed Capacity (Gross MW)	Utility GWh	Utility Customers	Transmission Lines (Km) (High Voltage)		Distribution Lines (Km) (Low Voltage)	
				Overhead	Underground	Overhead	Underground
Andes	7,740						
Brazil	3,298	54,408	7,723,000	3,805	190	105,066	3,1364
Mexico, Central America & Caribbean (MCAC)	3,860	3,642	1,228,000			35,846	62
Europe, Middle East & Africa (EMEA)	9,396	11,235	2,206,000	5,950		58,392	
Asia	1,337						
United States (US)	13,798	31,777	1,107,000	4,280	12	28,420	14,396
Total:	39,429	101,062	12,264,000				

1. See Financial Notes on Page 5 of the 2012 Annual Report for definition and reconciliation.

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# STATEMENT FROM THE PRESIDENT AND CEO

To Our Stakeholders,

I am pleased to present The AES Corporation's first annual Sustainability Report.

When I was appointed CEO in October 2011, I made a commitment that AES would be recognized for the leading practices we bring to energy management. This report, which describes the efforts and performance already in place at our company, helps to lay the foundation for our stakeholders to understand who we are, what we do and how we are managing the important economic, social and environmental issues we deal with in our business.

AES has long been a company dedicated to improving lives, wherever we do business, by being a responsible corporate citizen. These efforts have been appreciated internally and by the local communities in which we operate. In this report, we provide complete annual data through the end of 2012 and put this information in the context of our company legacy and our programs. I will provide you with some color on the context in which we operate, how our people work with our communities toward common goals, and highlight some important achievements we have made.

## SERVING GLOBAL ENERGY NEEDS WITH INFRASTRUCTURE SOLUTIONS

The world's demand for electricity is increasing — both in developed countries and in areas that still do not have access to reliable, affordable power. The World Bank estimates that nearly 3 billion people in the world either do not have access to electricity or are connected to poorly, intermittently available power. Access to electricity is a major determinant of expected lifespan, local economic growth, and other measures of increased living standards. With access to electric lights and cooking capabilities, as well as heating and cooling, people are able to be safer, healthier and more productive.

At the same time, there is much discussion about fuel sources and the strains resource extraction and consumption placed on our environment. Water availability and quality, and use of natural resources are some of the many significant global issues that companies, countries and people are working to manage across all sectors of the economy.

It is important to acknowledge and evaluate these issues as we work with our partners to make long term infrastructure investments. Our projects must succeed in raising living standards and complying with or exceeding all applicable environmental laws while providing affordable and reliable energy to all our customers.

For some communities, renewable energy is the best investment to make; for others, the best choice is using the lowest — cost source for electricity generation and applying modern efficient technologies to manage it. AES draws upon its experience and uses new technologies to implement the right solution for each individual location and set of stakeholders. We, and the communities we serve, live with the results of these choices over the long term and we do our best to strike the right balance for all our stakeholders.

## A HISTORY OF IMPROVING LIVES

Wherever we operate, we make our Core Values of Safety, Integrity, Honoring Commitments, Striving for Excellence and Having Fun Through Work the foundation of everything we do. Guided by these shared Values, we provide energy and innovation to build a sustainable future while meeting today's ever changing need for power.



**ANDRÉS GLUSKI**

AES President and  
Chief Executive Officer

In 2011, we celebrated our company's 30th year. Since our founding in 1981, we have created a set of diverse platforms that provide us the strength and flexibility to adapt to local and regional market needs. By leveraging these platforms, AES is able to efficiently and cost-effectively improve the availability of electricity and living standards for many communities.

A recent example from our team in the Philippines illustrates how we do this. In 2008, AES purchased the 450 MW Masinloc coal-fired power plant on the western coast of the Philippines, about 200 km northwest of Manila. At the time, the plant was underutilized in the national electricity grid and in need of environmental performance improvements. We increased Masinloc's capacity from 450 MW to 630 MW, improved availability from 50 percent to 74 percent and increased net production by 62 percent within two years. In addition to making less expensive power more available to the local community, AES operators at the plant dramatically improved the worker safety record, winning several national safety awards for over two million hours without a lost time incident between December 2009 and October 2011 and for their commitment to implementing effective occupational safety and health programs in 2010. AES also improved processes and added equipment to better manage air emissions, coal ash and wastewater. In 2012, our Masinloc power plant received the bronze award in the category for "Best Coal Power Plant in Asia 2012" from Asian Power magazine.

Our story in the Philippines illustrates the kind of positive impact AES has had in the communities we serve. Some of the "Highlights" in this report describe the improvements in people's day to day lives made possible by our company's efforts over the years in places such as El Salvador, where we introduced a public-private alliance with the Millennium Challenge Corporation to bring electricity for the first time to more than 180,000 people; in Vietnam, where we introduced a very high level of safety standards during the construction of the Mong Duong facility, and Brazil, with the development of the novel Electricians Bank training program.

## AT THE FOREFRONT OF INNOVATION

As one of the first independent power producers in the U.S. and a multinational electric power company, AES has been at the forefront of bringing innovation to electricity generation and distribution since its founding.

AES has a thirty-year track record of successfully meeting local challenges by bringing our global knowledge and innovation to bear to create highly efficient infrastructure solutions. The diverse mix of our electric generation portfolio and deep expertise in industry technologies provide AES the strength and flexibility to maximize plant efficiency and availability. We deliver reliable, affordable electricity and at the same time we seek to minimize environmental impacts within the technological, economic, and market constraints that we face.

In Chile, our Angamos plant exemplifies the way AES brings innovation to unique local challenges. Angamos is a coal-hybrid facility that uses the first-of-its-kind sea water cooling tower in South America. It also incorporates 40MWs of resource equivalent battery storage. The facility received "Power Plant of the Year" by Power Magazine and also won our industry's most prestigious award, the Edison Electric Institute's (EEI) "International Edison Award."

At Changuinola, Panama, we brought a 223 MW hydroelectric complex online. Constructing this innovative dam, hydroelectric plant and reservoir required very careful assessments, and complex civil, environmental and social engineering and planning. We are proud of the track record of expert innovation that allows us to undertake and successfully implement projects such as Changuinola.

In short, AES embraces innovation as a critical foundational element of our strategy.



## STAKEHOLDER ENGAGEMENT

Where we operate or undertake new projects, we work to bring new power solutions and additional benefits to the local population by partnering with government agencies, non-governmental organizations (NGOs), suppliers, and community groups. We encourage our businesses to custom-tailor community engagement programs to ensure the most effective and beneficial local contribution. Our company's tradition of social responsibility has become even more central to our mission over time. We recognize that our future growth depends in part on our reputation as a responsible partner with all stakeholders.

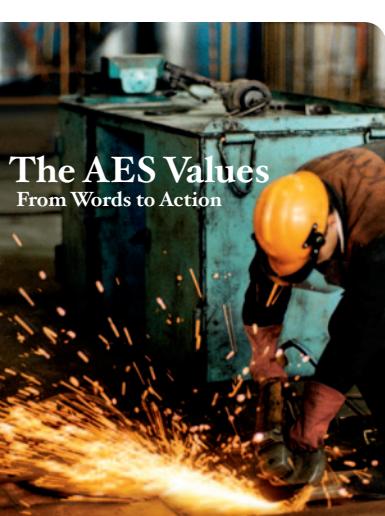
As a result of such community engagement programs, we often encounter needs in education, health and well-being. In response, we have developed programs designed to meet these needs including:

- Educational programs that teach thousands of children in Brazil, Ukraine, Cameroon, Argentina, El Salvador and the United States about how to safely use electricity;
- Vocational training and employment programs for young people in Latin America, Cameroon and the Philippines; and
- Sustainable environmental management programs in several countries such as reforestation in Panama, reef conservation in the Philippines and beach cleaning in the Dominican Republic.

Wherever we operate, AES businesses respect human rights and abide by all applicable labor laws. We make a priority of safeguarding our employees, contractors and the public near our facilities. Local public safety efforts are increasingly coordinated across our company to adequately manage safety and associated risks. We are embarking on programs to examine our supply chain to better understand the way these businesses perform on safety, human rights and other issues.

In all of our distribution businesses, we work hard to maintain a high level of customer satisfaction. In the U.S. when weather-related reliability incidents occur, we collaborate with other utilities to ensure customers' power is quickly restored, wherever they may be located. These recovery efforts have been recognized by the Edison Electric Institute (EEI) with the Emergency Assistance Award.

While the programs we invest in may differ from community to community, we are consistently focused on long-term commitments to our relationships. Our infrastructure assets are built to last 30 to 40 years or more so we highly value how well we integrate our company into the communities in which we operate. Engagement with our stakeholders and addressing relevant issues requires our continued attention.



## The AES Values From Words to Action

### ENERGIZING AES PEOPLE

As a company, we recognize that our people are the critical resources that enable AES to improve lives. Our company tag line "We are the energy" underscores that we—our people—are the energy. Our assets and platforms need the 25,000 AES people to make it all happen. AES values are at the heart of our operations. Safety, integrity, honoring commitments, pursuing excellence and having fun through work are the foundation to what we do.

"Put Safety First" is our first value. Our commitment to safety is essential to our business, our AES people and their families. At our businesses safety is the first priority for all people regardless of whether they are an employee or a contractor. To that end, every AES person has the power and responsibility to stop any activity which they believe to be unsafe. In 2012, AES businesses completed a three-year company-wide initiative to achieve world-class safety levels. While we always strive to operate with fewer incidents, we are pleased that each of our safety metrics showed improvement.

We are committed to developing our people and providing them opportunities through our global talent management program and our leadership mentoring program. We leverage the collective knowledge and experience of our people through our AES Performance Excellence ("APEX") program which provides our people with a set of common tools and methodologies to analyze and solve fundamental business issues while fostering innovation.

### EXECUTING ON OUR STRATEGY

At AES our strategy is focused around five pillars: Leveraging the Platforms, Financial Excellence, Business Innovation, Stakeholder Management and People. In 2012, we reorganized our company into six regionally-focused Strategic Business Units (SBUs), which allow us to more effectively leverage our platforms for growth and drive synergies within our markets. This structure minimizes our overhead, centers our attention more directly on regional market conditions for our generation and distribution businesses and strengthens accountability for performance in our geographic areas.

We achieved \$90 million in overhead cost savings in 2012, significantly exceeding our original target of \$50 million, as a result of our efforts to reorganize and to improve the focus of our operations and business development efforts. We also increased our annual run rate savings target from \$145 million to \$200 million by 2015. I am proud of the AES people who made all these accomplishments possible.

At AES, we recognize that partnerships are increasingly important to our growth, as working with others can improve our returns on invested capital, reduce our risk exposure and enhance our stakeholder relationships. This approach allows us to undertake major projects and to benefit from greater synergies and economies of scale, while managing the equity exposure we have on any particular project, technology or market.

Since September 2011, AES has made important progress in improving our capital structure and meeting our financial and operating targets. We allocated capital to repurchase \$710M in stock, paid our first quarterly cash dividend in almost 20 years and prepaid \$1 billion of debt.

We continue to focus our efforts on expanding from our existing platforms where we have a sustainable competitive advantage and can provide safe, efficient, and reliable electric generation and distribution services. As a result, AES decided to exit certain markets in which we cannot competitively operate and meet the objectives of our stakeholders and the company. Since 2011, we have exited or announced the exit from 8 markets generating \$1.4 billion in asset sale proceeds. By narrowing our geographic focus, we have reduced the complexity in our operations and improved our management efficiency which allows us to better serve our platform markets.

## BUILDING ON SHARED VALUES

In this first sustainability report, we provide background on our company's history of improving lives and bringing innovation to new markets. We describe our track record and present our recent efforts to ensure a sustainable future. The activities described in this report are rooted in over 30 years of AES people living our shared Values. Going forward, this report will serve as a baseline from which we will assess and, with the help of our stakeholders, improve the way we create shared value within our communities.

A handwritten signature in black ink, appearing to read "A. Gluski". A thin horizontal line extends from the end of the signature to the right.

Andrés Gluski

President and CEO

# THE ORIGIN AND GROWTH OF OUR BUSINESS

The AES Corporation (NYSE: AES) is a publically held global power company incorporated under the laws of Delaware in 1981 and with headquarters in Arlington, Virginia. The company was founded on the basis of fiscally conservative investment strategies paired with the belief that business can be both fun and socially responsible. The original ideals on which the company was built still exist today: a healthy work environment, a healthy natural environment, and efficient electricity generation and delivery at an affordable price.

AES grew out of the emerging opportunities for competitive electric power supply around the world in the 1980s and 90s. In 1985, the first AES power plant was built in Texas and it quickly became one of the leading competitive power plants in the United States. For 25 years, AES has been the largest Independent Power Producer (IPP) in the USA.

Building on our domestic success, we expanded into other countries in search of new financing, construction and operational opportunities. AES began generating electricity in the United Kingdom, Argentina, Pakistan, China, Hungary and Brazil. We played a role in the first-and-only generation privatization in India. In West Africa and Central America, AES brought electricity to places that had never previously had reliable power. At the same time, we served urban centers such as São Paulo, Brazil and Indianapolis in the Midwestern United States.

Bringing power to populations that have not previously been connected to the power grid is part of our core mission. Access to energy helps to establish basic industries and raise education levels and living standards in the local communities where we operate.

## AES MISSION

**Improve lives by providing safe, reliable and sustainable energy solutions in every market we serve**

## OUR APPROACH TO SUSTAINABILITY

At AES, we believe it is our responsibility to provide infrastructure solutions that support a sustainable social, economic and environmental future. AES Values mandate that we conduct business ethically in all our markets. Managing these aspects in a responsible way is not only the right thing to do — it enhances our ability to operate, collaborate and improve lives.

We manage sustainability seeking to maintain a competitive advantage through:

**Our Business Model:** We leverage our electricity assets, experience and knowledge to provide efficient, reliable energy and infrastructure solutions in the markets we serve.

**Our Footprint:** We are focused on growing our markets in the USA, Chile and Brazil, while also pursuing appropriate business development opportunities in additional markets where we can maintain a competitive advantage.

**Our People:** On every business venture, AES people work in teams, adhere to processes, apply discipline and clarity, aim for business agility and accountability, and focus on our stakeholders.

The way we manage sustainability is embodied in our broader strategic initiatives focusing upon:

#### **FINANCIAL EXCELLENCE**

Executing well on our strategy requires that we manage sustainability issues with discipline. Financial success enables us to continue to invest in innovative solutions for our customers.

#### **OPERATIONAL EXCELLENCE**

We deploy our operational experience and global scale to apply best practices across our global platform to ensure our customers receive the highest levels of reliability and availability.

#### **ENVIRONMENTAL PERFORMANCE**

Environmental stewardship and leadership are a key part of our business, and we strive to improve the environmental performance of every business we own.

#### **STAKEHOLDER ENGAGEMENT**

By improving the reach and reliability of access to electricity we have improved the quality of life in many countries. We strive to be a good corporate citizen in each of the communities where we operate. This includes developing managerial and technical talent, having local partners, engaging advisory boards, and investing in communities.

#### **AES PEOPLE**

Our people are our energy. We recognize that our 25,000 people working towards our mission of improving lives by providing safe, reliable and sustainable energy are our greatest asset. AES People have a global perspective and local insight. In everything we do, we are each guided by our shared Values to put safety first, act with integrity, honor commitments, strive for excellence, and have fun through work.

### **MATERIAL SUSTAINABILITY ASPECTS AND TOPICS**

This first Annual Sustainability Report describes the efforts and performance already in place at our company and is intended to enable a wide range of AES stakeholders to understand who we are, what we do and how we are managing the important economic, social and environmental issues we deal with in our business. The financial community, employees, customers, local policymakers, nongovernmental organizations (NGOs), industry organizations and observers, as well as neighbors at our locations, are all AES stakeholders.

Through various internal and external analyses, we have identified topics that have significant impact on AES and/or our Stakeholders. This report is structured to present these "material aspects" within the context of our five broad strategic initiatives. In discussing these material sustainability aspects, we recognize that our stakeholders are interested in our approach to managing them, our performance and our future plans.

**Figure 4: Material aspects highlighted in this report<sup>2</sup>**

FINANCIAL EXCELLENCE	OPERATIONAL EXCELLENCE	ENVIRONMENTAL PERFORMANCE	STAKEHOLDER ENGAGEMENT	AES PEOPLE
<ul style="list-style-type: none"> <li>Economic Performance</li> <li>Investment Return on Capital Allocation</li> </ul>	<ul style="list-style-type: none"> <li>Availability, Reliability, and Access to Electricity</li> <li>Cyber Security</li> <li>Disaster / Emergency Planning and Response</li> </ul>	<ul style="list-style-type: none"> <li>Air Emissions</li> <li>Water</li> <li>Effluents and Waste</li> <li>Biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Impacts on Education and Living Standards in our Communities</li> <li>Public Safety</li> </ul>	<ul style="list-style-type: none"> <li>Global Talent Management</li> <li>Occupational Safety and Health</li> </ul>

<sup>2</sup> The process for identifying material aspects shown in Figure 4 are described in detail in the "Supplement" to this report.

## ORGANIZED FOR LOCAL ENGAGEMENT IN A GLOBAL MARKET

In 2012, we organized our businesses into six market-facing Strategic Business Units (SBUs) to achieve the scale necessary to drive results through world-class operations and growth within each unit. The resulting units will help us continue to gain better understanding of our customer needs and to improve our ability to respond to those needs.

### SBU: Geographic Market

**Andes:** Chile, Colombia, and Argentina

**Asia:** Vietnam, Sri Lanka, India and Philippines

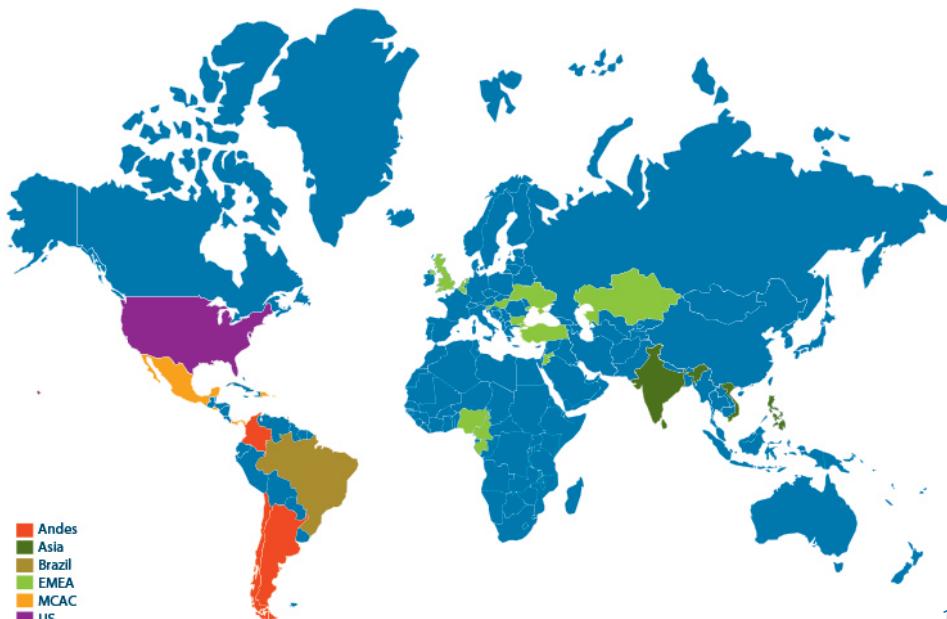
**Brazil:** São Paulo and Rio Grande do Sul

**EMEA:** Europe, Middle East and Africa

**MCAC:** Mexico, Central America and the Caribbean

**US:** United States of America

This SBU structure enables us to better engage with our stakeholders by focusing on regional customers and markets. The structure also fosters a higher degree of coordination and collaboration which makes us more agile in capitalizing on opportunities to innovate.



## SNAPSHOT: ANDES SBU



1,544 AES People in 9 businesses

### Angamos Power Plant

In Chile, our Angamos plant exemplifies the way AES brings innovation to unique local challenges. Angamos is coal-hybrid facility that uses the first-of-its-kind sea water cooling tower in South America. This project was especially challenging because the plant was to be constructed in a critical area, where 35 percent of the world's copper is produced, and which was threatened by energy shortages after curtailment of gas from Argentina. AES was able to finance, site and construct the plant and mitigate potential disruption in global copper commodities markets. We also integrated a 40 MW energy battery storage resource that enables a 4 percent increase in incremental energy generation annually. In 2012, Angamos received "Power Plant of the Year" by Power Magazine and also won our industry's most prestigious award, the Edison Electric Institute's (EEI) "International Edison Award."



#### Generation

Coal	2,619 MW
Gas	1,932 MW
Oil/Diesel	517 MW
Renewables	2,672 MW

#### TOTAL

7,740 MW



#### Map Key

- Hydro
- Fossil Fuels
- Biomass
- Energy Storage
- Other



# FINANCIAL EXCELLENCE

Financial performance is the foundation for all we are able to accomplish as a company. As a Fortune 200 global leader in our industry with strong financial results, we are able to attract capital, talented people and needed resources. Our focus on financial excellence and our ability to implement sustainable investment structures has enabled us to weather economic volatility for 30 years.

## OUR APPROACH

We manage our financial performance in keeping with our corporate strategy, which is set by our CEO, Executive Leadership Team and approved by our Board of Directors. Strategic priorities guide our economic activity and are designed to ensure the company's economic sustainability. The SBUs are responsible for the execution of strategy and financial results in their markets. Our financial results are made possible by our operational excellence, safety, risk management approach and ethical and effective conduct by AES people at all our businesses.

In accordance with our strategic priorities, we

- Operate our portfolio of generation and utility businesses to create value for our stakeholders;
- Drive our operating business to generate capital for deployment into growth investments, debt repayment, and shareholder dividends;
- Focus growth investments on expanding from our platforms into markets where we have a competitive advantage and exit markets where we do not; and
- Drive stability of cash flow and earnings in our businesses through contractual, regulatory and hedging activities.

Throughout 2012, we executed on a comprehensive plan to improve operations, leverage our global scale and expertise, reduce our overhead and development costs, increase the sources of cash and the returns from our investments, and streamline the portfolio. These actions helped us to meet or exceed our financial commitments, despite the challenges we faced in 2012 at certain businesses, including negative impacts from power and commodity prices at AES Gener in Chile, Eletropaulo in Brazil and DPL in the U.S.

We structure our operational agreements and financial and risk management approaches to provide stable returns. Our business model helps mitigate certain risks as 80 percent of variable margin is fixed primarily through concession agreements and long term power purchase agreements. Because we operate in many countries around the world and yet report our financial results under the United States Securities and Exchange Commission (SEC) rules in US dollars, our financial results are exposed to currency fluctuations. Of our \$18 billion gross revenue in 2012, more than \$14 billion came from operations outside the US. Our structure to limit foreign exchange exposure is a critical part of our financial excellence as we manage currency positions. For example, we manage currency risk so that a 10 percent move in our pooled basket of currencies impacts our earnings per share (EPS) no more than 5 percent. We mitigate risk from global commodity prices in part by using different fuel technologies across our business.

## FINANCING SUSTAINABLE ENERGY SOLUTIONS IN A CHANGING ENVIRONMENT

AES is engaged in the international dialogue on environmental science and recognizes the importance of environmental issues to our investors and other stakeholders. AES has leveraged its expertise in a wide range of fuel technologies to expand beyond thermal energy into renewables and alternative sources such as wind, solar and hydroelectric power to deliver a sustainable mix of energy solutions that respond to market demands. This broad set of capabilities enables us to bring leading edge expertise to the implementation of power solutions in our markets. As of December 2012, approximately 24 percent, or 9,366 MW, of AES' gross generation was renewable. Approximately 35 percent of AES' total MW generation capacity is natural gas.

We invest in regular maintenance and environmental upgrades at our facilities to extend asset lives, implement emissions reductions technologies and improve generation by-product disposal or recycling. Growth capital expenditures primarily address investment in development projects in construction (i.e., new or "greenfield" and partially constructed or "brownfield") that would include renewable technology builds and/or increasing the net maximum capacity of the facility beyond the original design — all of which promote efficiency and potentially reduce emissions.

Disciplined allocation of our capital is an essential element of our strategy. We use our available cash for three specific purposes: funding growth investments in markets where we can leverage an existing platform; strengthening our balance sheet; and returning cash to our shareholders through dividends and share repurchases. Our overarching goal is to achieve total shareholder returns greater than our peers.

## ASPECT: ECONOMIC PERFORMANCE

We are making progress on our plan to enhance long term economic performance by narrowing our geographic and operational focus in places where we have a competitive advantage. Despite declining gas and power prices and challenging market conditions for some of our larger businesses, AES met or exceeded our most important financial and operating targets for 2012:

- Adjusted Earnings Per Share (EPS) of \$1.24, which reflects growth of 22 percent over 2011 and which exceeded our 2012 financial guidance range
- Proportional Free Cash Flow of \$1,242 million, coming in at the upper end of our 2012 financial guidance range
- Subsidiary distributions of \$1,332 million, within our financial guidance range and at a near record level set in 2011
- Reduced General and Administrative overhead costs by \$90 million

Adverse market conditions, including depressed power prices, resulted in our stock's slow recovery in 2012. However, we responded to these challenges by taking timely steps to increase efficiency and agility by reducing overhead and restructuring our global operations. By reducing overhead costs, increasing knowledge sharing within our markets and strengthening accountability, AES was not only able to meet the challenges of 2012 but is better prepared to deliver continued earnings growth in the future. The continued growth in our stock value demonstrates our strategy is generating results.

Additional information on our costs, investments and value creation for GRI economic indicators can be found in the 2012 AES Corporation Annual Report SEC Form 10-K.

## BUSINESS DEVELOPMENT CASE STUDY: MONG DUONG POWER PROJECT, VIETNAM

Electricity demand is expected to increase in Vietnam at an annual rate of 15 percent over the next several years. To increase the power supply needed for a growing economy, the Vietnamese government sponsored a multiparty investment deal, led by AES, to build and operate new 1200 MW power plant at Mong Duong in Quang Ninh Province. AES has been developing projects in Asia since 1992 and today has over 1,300 MW in operation in some of the region's fastest growing markets.

Mong Duong II is a 1240 MW coal-fired power plant, which is expected to provide power for 2.25 million Vietnamese households upon completion. The project is expected to achieve commercial operations during the second half of 2015. Once completed, this project will contribute meaningful cash flow to the company, while also providing Vietnam with a safe and reliable source of electricity to help support its growing economy. Operational responsibility and ultimately ownership will transfer to the Vietnamese government.

The project is the country's largest private sector power project and AES is the first independent power producer (IPP) to reach successful closure of a financial deal in Vietnam since 2003. This is a notable achievement that demonstrates the strength of our project finance model and is a testament to our ability to raise capital in the face of challenging global economic conditions. Mong Duong II will comply with the Vietnam and World Bank environmental standards and will also allow lenders to meet the requirements of the Equator Principles.

AES has contracts in place to mitigate the potential commodity price risk to our customers and to AES from coal prices and market electricity prices. For the 25 years after it begins operations, Mong Duong II will sell electricity to Vietnam Electricity (EVN), the state-owned power company under a long term power purchase agreement (PPA) and will be supplied with locally sourced

coal by the Vietnam National Coal-Mineral Industries Group (Vinacomin), the state-owned coal and mineral company.

Mong Duong II represents a milestone for power plant construction in Vietnam, addressing common challenges that were often endured during other power projects in the country. For example, typical projects required a 5 to 8 years to completion and were often delayed and have unsafe and unclean work environments. The AES construction schedule was compressed to just under 4 years, while utilizing AES world-class construction management and safety systems. Our safety record during construction has been noteworthy and the Vietnamese government has highlighted our safety program as the "best in class" to be emulated throughout the nation.

communities. The SEMS includes guiding principles that were integrated into all activities of the project. As part of the approach to construction, AES MD developed an approach to and principles for communications with the communities living in the area, including establishing baseline measurements for key criteria. Such communications helped to ensure that communities' concerns were understood and provided the basis for a good relationship between the communities and AES MD. In addition, a grievance procedure was set up to respond to any inquiries or complaints from the individuals or communities. AES MD has actively worked to improve the infrastructure and facilities of three public clinics and five public schools. For the clinics and schools, AES MD helped with appliance and basic repairs as well as needed furniture and supplies.



Before we began construction on this project, AES-VCM Mong Duong Power Company Limited (AES MD) developed a Social and Environmental Management System Manual (SEMS) to provide clear guidance on assessing and managing potential impacts on the environment, health and safety for its employees, contractors and the surrounding

During construction, the AES MD team worked to minimize noise and dust from the site. We also worked to prioritize employment opportunities for the community and transition into new professions.

## ASPECT: INVESTMENT RETURN ON CAPITAL ALLOCATION

The allocation of capital to generate strong risk adjusted returns on investment is one of AES' most important commitments to its stakeholders. Investors require compelling risk-adjusted returns on new investments and expect us to consider the social and environmental impacts of any new opportunity.

Since implementing our strategy in late 2011 and until the end of 2012, we have strengthened the balance sheet and returned cash to shareholders by:

- Repurchasing \$390 million of our stock
- Paying a recurring cash dividend, our first in almost 20 years
- Repaying more than \$700 million in consolidated debt

Part of our strategic approach includes exiting countries where our competitive advantage was not compelling. We have exited China, Hungary, the Czech Republic, France, and Spain and will pursue divesting additional businesses in other countries as our strategy is implemented. In 2012, we successfully closed the sale of eight businesses that were not aligned with our long term strategy and achieved total sale proceeds reaching nearly \$1 billion.

Narrowing our geographic focus enables us to reduce business development spending by centering AES' growth plans on expanding from existing platforms where our competitive advantage is sustainable. As a result, we are finding investment opportunities with less risk and greater capital efficiency than we achieved in the past.

To ensure our new investment opportunities align with our financial management principles and take environmental and social impacts into consideration, we have improved our capital allocation screening process. The improved investment decision making process includes cross-functional expertise from our SBUs to incorporate economic, environmental and social risks in analyzing and prioritizing our investment opportunities.

The analytical process we use to make these investment decisions provides an added level of discipline, transparency and agility to our decision making, especially for major investments in projects and transactions. Projects and transactions pass through a minimum of three decisions points before presentation to our executive level Investment Committee. For selected major projects, the approval process includes presentation to the Board of Directors. A recent example of the application of our comprehensive investment process which also focuses on environmental and social criteria is our Mong Duong project in Vietnam (see Business Case Study, page 17).

We believe making investments that produce solid financial returns while managing environmental and social aspects well is essential to our long-term sustainable financial performance.

## SNAPSHOT: THE UNITED STATES SBU



**3,575** AES People in 19 businesses

### DPL and IPL Receive Awards for Storm Restoration from Edison Electric Institute

The Edison Electric Institute honored Dayton Power & Light (DPL) and Indianapolis Power and Light (IPL) with awards for storm restoration efforts during 2012. DPL received a "2012 Recovery Award" for local storm restoration efforts during the June 2012 Derecho. Both DPL and IPL received a "2012 Assistance Award" for helping East Coast utilities recover from Hurricane Sandy in October 2012.

The Emergency Response Awards recognize member companies that put forth outstanding efforts to restore service promptly to the public following a storm or natural disaster.



**Utilities:**

**1,107,000**

Customers (DP&L 637,000; IPL 470,000)

**31,777**

GWh sold

**4,293**

Kilometers of service transmission lines

**42,817**

Kilometers of distribution lines



**Generation:**

Coal

**6,593 MW**

Natural Gas

**5,464 MW**

Oil/Diesel/Pet Coke

**466 MW**

Renewable

**1,273 MW**

Energy Storage

**43 MW**

**TOTAL**

**13,798 MW**



# OPERATIONAL EXCELLENCE

Providing reliable energy in the markets we serve is essential to the many businesses and families who rely on AES electricity around the work. Our AES generation businesses allow our energy markets to meet their existing and growing electricity supply needs. Our AES utilities businesses delivered electricity to approximately 11 million customers.

## OUR APPROACH

In keeping with our Values, it is essential that we strive for excellence as we operate our businesses each day. We consider operational excellence to include not only supplying reliable, affordable power and ensuring our plants are available to run as much of the time as possible – but also managing physical and cyber security, disasters and emergencies, public safety and environmental performance. For each of these dimensions of our operations, we have management systems in place that provide training and mentoring to support superior performance.

## ASPECT: AVAILABILITY AND RELIABILITY

Guaranteeing a steady supply of electricity to our customers at any given time requires that our businesses employ modern technologies for power delivery and monitoring system reliability. It also requires a deep understanding of our service areas and customer base. Through innovative solutions and flexibility, AES seeks to understand, monitor and serve all our customers' need for power.

**"Sound energy planning means that you don't rely on one energy source, in essence putting all of your eggs into one basket... policies should encourage an all-of-the-above approach to electricity production that takes advantage of all affordable domestic energy resources."**

*United States Representative Ed Whitfield,  
Chairman of The House Subcommittee on Energy and Power*

## GENERATION BUSINESS OPERATIONS: AVAILABILITY

Our experience with diverse fuel sources has enabled us to construct state-of-the-art power plants and apply advanced fuel combustion technologies at existing power plants to maximize capacity and optimize availability. AES has incorporated state-of-the-art environmental impact mitigation techniques into projects around the world. In addition, we use new technologies such as lithium-ion battery storage to enhance dispatch and grid stability.

Current developments in our diverse asset mix expand the set of generation assets and technologies in our business in accordance with our strategy of leveraging successful existing platforms. Some of the platform expansions currently under development include:

- I. The 532 MW Cochrane coal-fired project in Chile which is adjacent to our existing 545 MW coal-fired Angamos facility
- II. The Alto Maipo run-of-river hydroelectric plant in Chile that utilizes some of the existing infrastructure of the Alfalfal hydro facility and will provide the region of Santiago with 531 MW of renewable power

### III. Indianapolis Power and Light installation of pollution control upgrades to 2,300 MW of its base load coal-fired plants

We have continued expanding our portfolio of renewable energy sources. As of December 31, 2012, AES wind capacity under operation is 1,518 MW with 36MW under construction.

Our Laurel Mountain wind project in West Virginia uses lithium-ion batteries to enhance dispatch and grid stability. Laurel Mountain won the 2012 "Excellence in Renewable Energy" Award for Wind Project of the year at the Renewable Energy World Conference.

For a summary of significant operational changes which took place during 2012, please refer to pages 1 through 6 of The 2012 AES Corporation Annual Report.

#### AVERAGE PLANT AVAILABILITY FACTOR

AES has implemented a uniform system of key performance indicators (KPIs) to monitor our generation businesses, which includes Equivalent Availability Factor (EAF), Net Capacity Factor (NCF) and Equivalent Forced Outage Factor (EFOF).

**Figure 5: Equivalent Availability Factor, Net Capacity Factor and Equivalent Forced Outage Factor**

Generation KPIs	2009	2010	2011	2012
Equivalent Availability Factor (EAF)	87.22%	88.84%	88.18%	86.16%
Net Capacity Factor (NCF)	53.16%	57.04%	56.39%	58.68%
Equivalent Forced Outage Factor (EFOF)	5.51%	3.22%	2.75%	3.00%

EAF represents the percentage of the time that a power plant is capable of producing energy and is normally less than 100% to provide for maintenance. EAF does not consider the actual energy produced. Our EAF in 2012 was lower compared to previous years due to the addition of Dayton Power & Light (DPL) to our generation portfolio. DPL plants have much older equipment which requires more routine and scheduled maintenance.

NCF is the percentage of actual energy produced compared to the capacity of energy that the equipment was capable of producing. The trend in our NCF metric has been positive.

Finally, EFOF is the percentage of the time that a plant is not capable of producing energy due to unplanned operational reductions in production. In 2012 our businesses experienced an increase in EFOF from 2011 but the overall multi-year EFOF metric of our business operations continues to trend down.

#### DISTRIBUTION BUSINESS OPERATIONS: RELIABILITY

AES also monitors KPIs for our distribution businesses. Reliability of our distribution networks is tracked by the average number and duration of system interruptions per customer, weighted based on ownership adjusted EBITDA. In the tables on page 22 we show results for our major distribution businesses as well as the AES weighted average. Our distribution businesses have made system upgrades to improve power delivery. These investments have led to fewer customer interruptions and improved reliability.

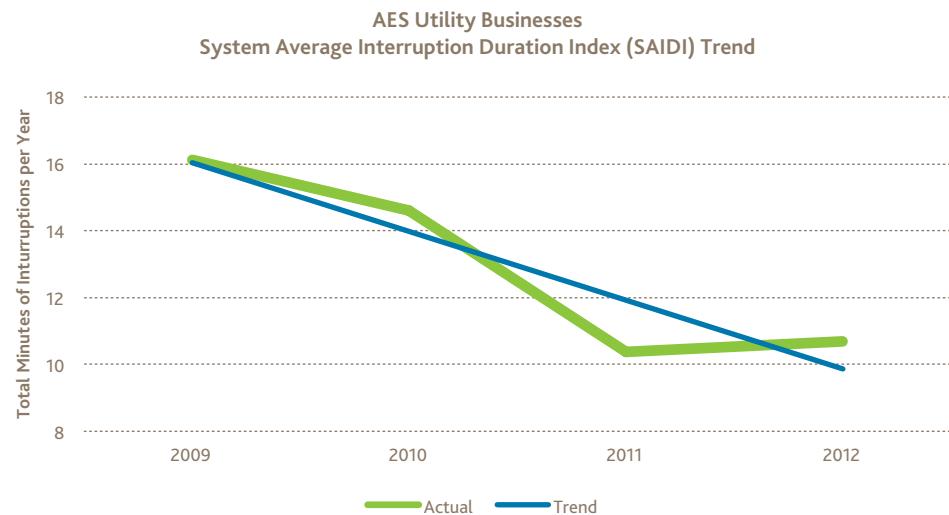
System Average Interruption Duration Index (SAIDI) represents the total minutes of interruption the average customer experiences annually.

**Figure 6: Utility businesses power outage duration table, SAIDI, 2009 -2012**

Business*	2009	2010	2011	2012
AES El Salvador	33.51	23.57	19.56	17.39
AES Eletropaulo	11.86	10.60	10.43	8.35
AES Sul	20.89	18.05	15.37	14.26
Dayton Power & Light				1.56
Indianapolis Power & Light	0.61	0.66	0.59	0.95
AES Sonel	101.70	110.14	119.28	157.12
Actual	16.13	14.61	10.37	10.69

\*Data for 2009, 2010, and 2011 not included (Pre AES ownership years)

\*\*AES Distribution represents consolidated AES totals based on a weighted average using the Ownership Adjusted EBITDA contribution for each business

**Figure 7: Utility businesses power outage duration trend, SAIDI, 2009 -2012**

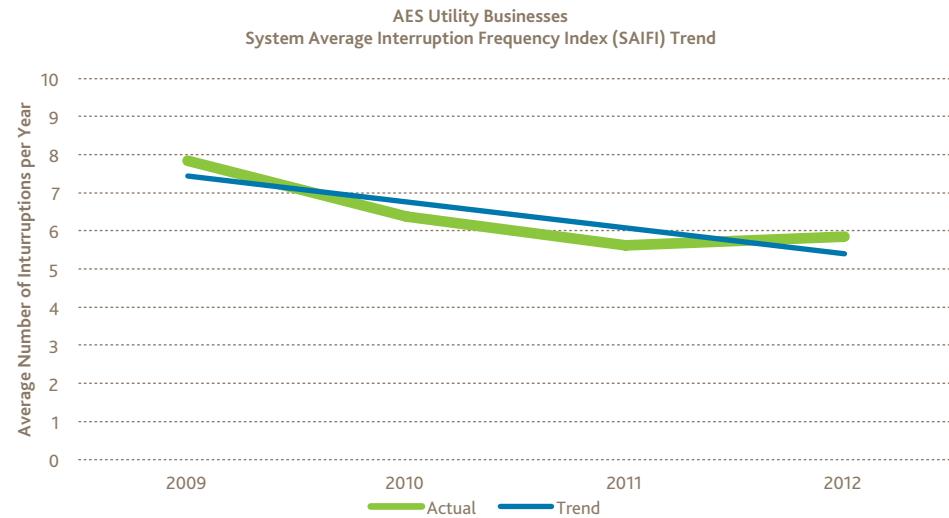
System Average Interruption Frequency Index (SAIFI) represents the average number of interruptions the average customer experiences annually.

**Figure 8: Utility businesses power outage frequency table, SAIFI, 2009 -2012**

Business*	2009	2010	2011	2012
AES El Salvador	11.88	9.42	8.03	7.52
AES Eletropaulo	6.17	5.42	5.50	4.64
AES Sul	11.92	10.11	9.27	8.44
Dayton Power & Light				0.79
Indianapolis Power & Light	0.66	0.83	0.60	0.82
AES Sonel	35.71	37.61	32.69	45.90
Actual	7.85	6.38	5.61	5.84

\*Data for 2009, 2010, and 2011 not included (Pre AES ownership years)

\*\*AES Distribution represents consolidated AES totals based on a weighted average using the Ownership Adjusted EBITDA contribution for each business

**Figure 9: Utility businesses power outage frequency trend, SAIFI, 2009 -2012**

## IPL RANKS HIGH IN RELIABILITY AND CUSTOMER SATISFACTION

According to Edison Electric Institute (EEI) survey results, Indianapolis Power & Light Company (IPL), AES' utility business in Central Indiana, was ranked No. 4 out of 90 companies in the average number minutes a customer is without service over a year (SAIDI) and No. 10 out of 90 companies in average number of interruptions for a customer over a year (SAIFI).

All our distribution businesses experienced an improved trend in SAIFI and SAIDI levels of service (decrease in outages and frequency) from 2009 to 2012 with the exception of AES Sonel in Cameroon where bad debt and collection issues impact the level of investment available to improve the network. IPL has also had a slight increase in its SAIDI metric, though the average interruption per customer per year is still less than one minute.

Our distribution businesses were recognized for excellence in delivering on our commitments. In the United States, IPL received the highest score for customer satisfaction in Indiana in 2012 while maintaining the lowest residential electric utility rates in the state, according to the Indiana Utility Regulatory Commission Annual Survey. Both IPL and DPL received 2012 Emergency Response Awards from the Edison Electric Institute for their response to Super Storm Sandy and the June Derecho that severely impacted the eastern U.S.

Our distribution businesses in Brazil, AES Eletropaulo and AES Sul , serve approximately 7.7 million customers in Southern and Southeastern Brazil. In 2012, our Brazilian distribution businesses continued to focus on increased efficiency, disciplined execution and customer satisfaction, investing R\$1.2 billion in improvements across the two companies. In 2012 AES Eletropaulo reached a score of 80.6 in the Customer Satisfaction Index, the best score in 14 years and 9.1 points above compared to the 2011 assessments. AES Sul achieved a score of slightly less than 80 percent in the satisfaction survey, due to outages caused by lengthy severe weather and by equipment upgrades. AES Sul's track record of customer satisfaction has been between 80 and 87 percent over the last four years.



## ASPECT: CYBER SECURITY

Protecting the public, our people and our assets are fundamental to our business. Over the past several years, the world has seen a significant increase in the frequency and sophistication of cyber-attacks against companies, governments and individuals. At AES, there are behaviors and situations that can cause safety risks at our facilities however we employ a four part Cybersecurity strategy to protect against cyberattacks:

1. Disciplined risk management – this is how we understand our assets, threats, and vulnerabilities.
2. Defense in depth – this is how we deploy layers of defenses to threats against our networks and systems.
3. Global collaboration – this is how we leverage our platforms and share information globally with our businesses.
4. Improved user awareness – this is how we ensure all AES People know they play a role in cybersecurity.

AES' Chief Information Officer appointed a Chief Information Security Officer (CISO) to serve as the Cyber security leader and act as the global point of contact for internal and external stakeholder management. Our CISO works in partnership with all AES's businesses and other stakeholders to assess risk, identify appropriate mitigation solutions and best practices in proactive monitoring. In addition, AES has established relationships with key government and law enforcement agencies such as the Department of Homeland Security, FBI and other agencies abroad. These external relationships coupled with strong partners such as Symantec, Mandiant and others help reduce the likelihood of sophisticated cyber threats and allow us to respond quickly and appropriately if we are subject to such threats.

Another element of our strategy is to actively communicate risks and best practices at the individual level. Our Chief Information Officer (CIO) releases a monthly Cyber Security Message to all AES People highlighting possible and actual threats as well as how to minimize an attack. Identifying sources of threats and appropriate proactive tactics increases the likelihood that suspicious activities will be managed before a problem can arise. While we have been affected by a few relatively benign computer viruses, AES has not experienced any significant intrusion to our systems or customer data.

## HAITI EARTHQUAKE RESPONSE

When Haiti was hit by a 7.0 magnitude earthquake in January 2010, more than 200,000 people were killed and one million individuals were displaced. AES Dominicana responded immediately, donating water, food, tents and medicine, and working to restore local services. Electric generators were provided so hospital emergency rooms and homeless shelters could stay open during the relief efforts. AES invested approximately \$350,000 in earthquake relief in Haiti. In addition, a multidisciplinary team from across AES worked in collaboration with local authorities to restore the Varreux Substation, which controls approximately 60 percent of Haiti's power supply. Additional relief activities included educating Electricite D'Haiti employees in safety practices, providing personal protection equipment and training local electrical technicians through a partnership with the Organization of American States.

## CHILEAN EARTHQUAKE RESPONSE

In February 2010, Chile was hit by an 8.8 magnitude earthquake that devastated the region and caused widespread displacement. Working with local authorities and emergency response groups, AES plant managers distributed supplies, generators, drinking water, food, clothing and other relief items. AES invested approximately \$1 million in earthquake relief in Chile. In coordination with the National Energy Commission and National Dispatch Center, AES worked to restore the power system. In addition, five work crews from our distribution businesses outside Chile traveled to assist in restoring two local distribution companies.

## ASPECT: DISASTER/EMERGENCY PLANNING AND RESPONSE

As a provider of essential services, we have many programs in place to ensure our operations are ready to manage even unusual challenges.

AES businesses face a multitude of potential scenarios that can cause significant business and operational disruption. Changing weather patterns, causing stronger and more frequent storms, as well as socio-political instability, causing unrest or conflict, can affect our operations. We prepare for such events with the aim of keeping our business and operations running effectively, safely and securely. To ensure business continuity, scenarios are defined with actions to maintain an acceptable level of operational capability while restoring AES operations.

Each AES business has developed plans to ensure business continuity in the event of a disruption to our activities. AES business continuity plans focus on identified risk impact scenarios, detailed response plans and set of procedures to mitigate identified risks. Each business trains its people on these plans, so that when needed we are ready to respond, even if the market affected is not our own. We ensure that we have ways to communicate with our people and with emergency support services in the event of a crisis.

To ensure readiness, we conduct onsite audit conformance to these and other AES EHS standards, typically on a 3-year frequency for operational locations and annually for construction projects. Nonconformance to the standards are documented and tracked until addressed by the audited business.

Over the past few years our business resilience and crisis preparedness plans have been tested and exercised under real world conditions such as severe natural disasters in Chile, Haiti, USA, Philippines and Vietnam, as well as political and social instability in Turkey, Bulgaria, Colombia and Brazil.



## SNAPSHOT: BRAZIL SBU



**7,426** AES People in 4 businesses

### AES Brazil Recognized as a "Model Sustainability Company"

The largest and most prestigious annual survey on sustainability in Brazil published by GuiaExame de Sustentabilidade has recognized AES Brazil as one of twenty model companies for sustainability in 2012, the only company recognized in our sector. The recognition focuses on social responsibility efforts and comes after AES Brazil took important step in early 2012 towards integrating its business planning process with sustainability.



**7,723,000**  
Customers

**54,408**  
GWh sold

**3,996**  
Kilometers of service transmission lines

**108,201.7**  
Kilometers of distribution lines



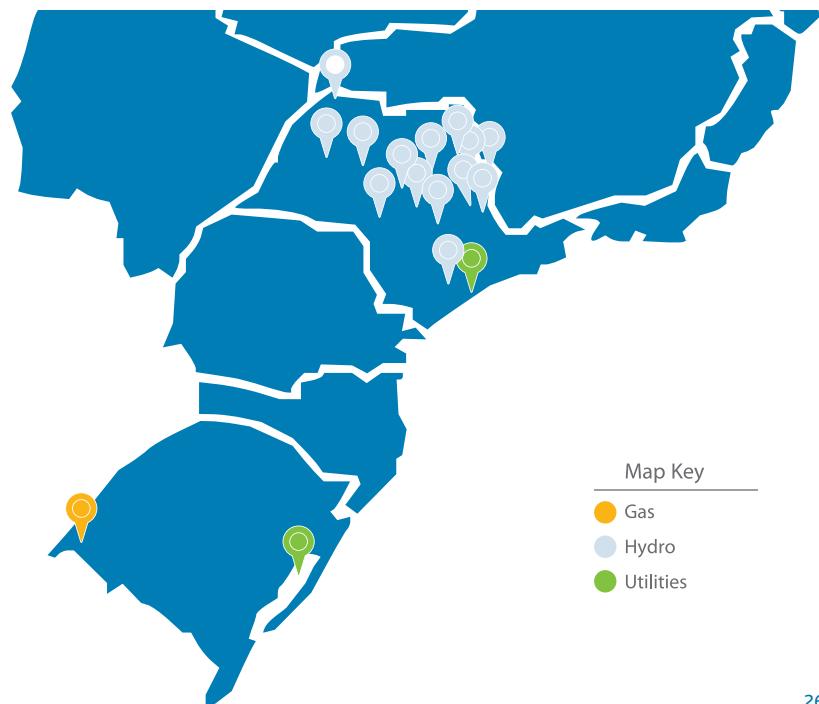
**Generation:**

Hydro  
Gas

**2,658 MW**  
**640 MW**

**TOTAL**

**3,298 MW**



# ENVIRONMENTAL PERFORMANCE

## AES ENVIRONMENTAL MANAGEMENT SYSTEMS

AES is firmly committed to environmental stewardship and leadership. Every AES business strives to improve its environmental performance. We monitor our business activities under our Environmental Management System (EMS) Framework which is based on industry best practices. The EMS sets environmental program guidelines for each AES business worldwide.

The EMS framework requires each business to establish an environmental program that allows for continuous environmental performance monitoring, environmental risk assessments and periodic integrated environmental, health and safety audits. The environmental programs, created and implemented by each AES business, assists the businesses in achieving environmental compliance, address significant environmental impacts and strive for continuous performance improvement. Key environmental metrics, including air pollutant emissions, environmental non-conformance events and EMS performance parameters, are reported to senior management on a set schedule.

The EMS allows/encourages significant autonomy and flexibility among the SBUs to adopt other external frameworks and guiding principles for their environmental decision making and conduct. Several AES subsidiaries include the Equator Principles as a standard practice in evaluating new development and acquisitions opportunity. Our Mong Duong project in Vietnam, described on page 17, is a recent example where an AES affiliate, in concert with lending institutions, identified and ensured social and environmental challenges related to the project were addressed.

At the core, corporate sustainability at AES involves understanding the environments in which our businesses operate and our commitment to developing energy solutions in an environmentally responsible manner. We recognize the importance of managing our businesses' use of natural resources and minimizing environmental impacts of our assets' operations where they are located. Our definition of the environment is deliberately broad and captures "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."

## OUR APPROACH

We understand that as a power producer and electric, our businesses can potentially impact air and water quality, biodiversity and availability of natural resources. For this reason we encourage our businesses to go beyond simply meeting environmental standards. Our businesses work to develop the right energy solutions and operating practices for the markets in which they operate.

AES operating businesses and construction projects around the world operate under the following four environmental guidelines of The AES Corporation Environmental Policy:

- I. Meet or exceed the requirements of environmental rules and regulations imposed by local, regional, and national governments and by participating financial institutions;
- II. Meet or exceed AES businesses' environmental standards set forth in its programs and policies;
- III. Plan and budget for investments that achieve sustainable environmental results by taking into account local, 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;" and
- IV. Strive to continually improve environmental performance at every AES business.

Within the context of environmental performance, we recognize that our stakeholders are interested in understanding management programs and performance of AES businesses with regard to air emissions, energy efficiency, water, waste management and biodiversity and habitat protection. All these aspects of our environmental performance are managed in accordance with the applicable environmental management system (EMS) at each AES location. The EMS is described in more detail in the call out box on this page.

Because our businesses operate under many different local conditions around the world, they work with the fuel technologies and resources that make the most sense for each location. When our businesses manage these fuel options according to the EMS and deploy the optimal technologies available, operational efficiencies are achieved and effluents and emissions may be reduced. In markets where fossil fuel generation is the right choice for development, our businesses work to ensure those resources are used in the most efficient, effective and responsible manner. In managing power generation operations, our businesses utilize new technologies in fuel and waste, and have made investments in complementary innovative technologies to control emissions and minimize water consumption.

AES has taken a leadership role in expanding energy storage solutions, in particular for hydroelectric, solar and wind, to make these zero-emissions renewable resources more viable and relevant for the future.

Our global data management system, AES Online, allows us to collect data from every AES business across the world. We have a set of key environmental metrics that we collect, review

## ENERGY STORAGE

With Battery Energy Storage Systems (BESS), the ability to produce emissions free improvements to the electric grid, is becoming an important enhancement to availability and reliability in many power markets. A subsidiary of The AES Corporation, AES Energy Storage has helped utility customers unlock value from existing power infrastructure by liberating reserve capacity, enabling renewable facilities to generate new revenue streams, improving flexibility and reliability of the power system, and meeting peak power demand.

With 150 MW of resources currently online, AES Energy Storage operates one of the largest fleet of battery-based storage assets in commercial operation today. The company has over 1,000 MW in development in the US, South America, Europe, and Asia.



and share with our leadership on an annual basis. As a result of our greater emphasis on transparency around sustainability performance, we are working to expand the set of data routinely collected at the corporate parent level. We believe an emphasis on high quality corporate-wide environmental data enhances our ability to manage and improve sustainability performance over time.

## ASPECT: AIR EMISSIONS

Our businesses manage fuel sources to achieve maximum operational efficiency and compliance with all applicable environmental laws and aim to manage environmental impacts associated with the fuel sources used in the best way they can, given local conditions.

We measure air emissions from our businesses power generation plants and disclose them in our SEC and other regulatory filings, with CDP (formerly the Carbon Disclosure Project), on our web site and in this first sustainability report. In addition to aiding our pursuit of operational excellence, tracking and reporting emissions data is important to our businesses' stakeholder communities and environmental regulators. Our businesses take appropriate, practical steps to reduce emissions where possible. Should the businesses be required to significantly reduce air emissions in the future, the investment required to obtain offsets and/or comply with any future legislation, tax or regulation could be significant. For more information, please see our 2012 Annual Report Form 10-K filed with the SEC.

Our businesses manage air emissions using a combination of power generation plant combustion unit and air pollution control equipment (APCE) design, and proper operation of these two systems. The installation of air pollution control systems is primarily dictated by locally applicable environmental laws and regulations. Because air emissions are directly related to the amount of fuel use, each AES business continuously monitors its power generation efficiency and takes action to improve efficiency when necessary. Improved efficiency also reduces both CO<sub>2</sub> and other emissions.

Our businesses track emissions primarily using continuous emission monitoring systems (CEMS) and sometimes using operational parameters (e.g., fuel use and appropriate emission factors). The amounts of our businesses' total emissions are periodically compiled at both the local business and AES corporate levels, and these compilations are quality checked internally for accuracy. Our businesses are required to report air emissions to various local and national environmental regulatory agencies. AES corporate voluntarily discloses air emissions via this Sustainability Report, the Annual Report, our website and other means of communication.

In 2012, The AES Corporation's businesses collectively had the capacity to generate approximately 60 percent of their electric power with renewables or with lower emission fuels, such as natural gas. The gross power generation mix breakdown includes 24 percent from renewable energy sources and 35 percent from natural gas or highly efficient combined cycle gas turbines (CCGT) facilities.

Apart from these fossil fuel assets, AES has developed and invests in energy storage and solar, hydro and wind generation businesses, all of which contribute to lowering the intensity of businesses' aggregate air emissions.

- AES Energy Storage industry leading projects are bringing the next generation of flexible capacity to the power grid through advanced energy storage technologies that are scalable, commercially viable and emission free.
- AES Solar: The AES Corporation and Riverstone Holdings (now Silver Ridge Partners) have a strategic joint venture investment in AES Solar to develop, own and operate solar power generation installations and has in commercial operations an aggregate of 256 MW of solar

projects in Bulgaria, France, Greece, India, Italy, Puerto Rico and Spain, and has 266 MW under construction.

- AES Wind Generation Ltd is an onshore wind developer and operator specializing in medium to large scale wind projects. AES Wind Generation Ltd. has been involved in developing and operating over 1,000 MW of installed capacity. Onshore wind energy is one of the most cost effective and advanced forms of renewable energy.

AES businesses use technologies like lithium-ion battery storage to enhance dispatch and grid stability and the expansion project at Guacolda V in Chile will include energy storage assets.

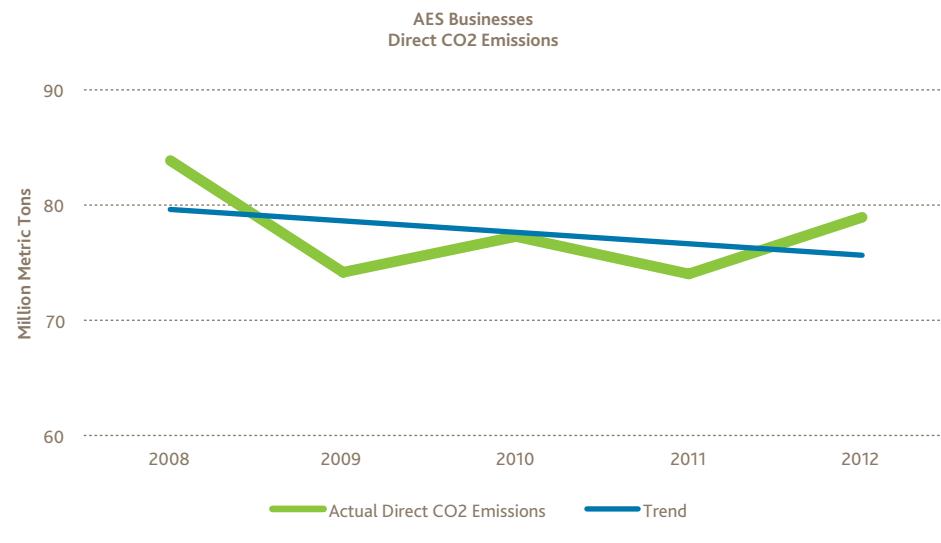
### DIRECT GREENHOUSE GAS (GHG) EMISSIONS, SCOPE 1

Direct GHG emissions are those emissions that result directly from AES' businesses' operations. Scope 1 greenhouse gas (GHG) emissions are listed in Figure 10 with the year-to-year trend shown in Figure 11. Variations from year to year result primarily from the acquisition and divestment of assets.

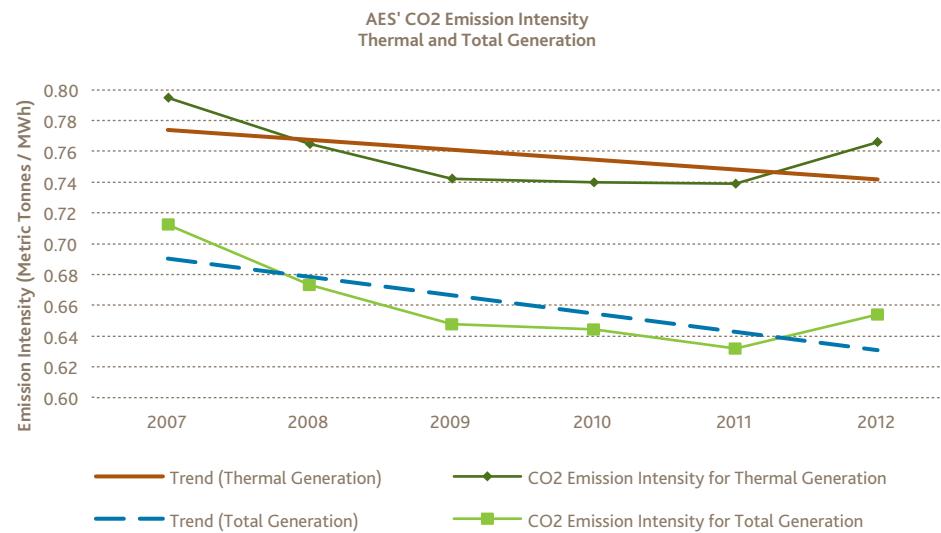
**Figure 10: Scope 1 Greenhouse Gas Emissions, 2009 - 2012**

Greenhouse Gas Emissions	Unit	2008	2009	2010	2011	2012
Scope 1 (Equity Proportional)	Metric Tonnes	83,812,743	74,121,544	77,245,705	74,010,712	78,901,077
Scope 1 (Gross)	Metric Tonnes	111,905,705	96,220,732	97,054,974	110,943,089	126,776,693
Intensity (Thermal Generation)	CO2e/ MWh	0.765	0.742	0.740	0.739	0.766
Intensity (Total Generation)	CO2e/ MWh	0.673	0.648	0.645	0.632	0.654
Intensity (Total Generation)	CO2e/ MMBtu	0.0818	0.0817	0.0829	0.0826	0.0862

The multi-year emissions trend is down with an increase in 2012 emissions over 2011 emissions due to the addition of three coal facilities to the AES generation portfolio. This addition represents a 2,830 MW increase in coal generation capacity on an equity owned basis.

**Figure 11: Direct CO<sub>2</sub> Emissions, 2008 - 2012**

Emission intensity is shown in Figure 12 broken down into thermal generation (which includes coal, natural gas and CCGT generation plants) and total generation (all 30 GWs). CO<sub>2</sub> emissions from thermal plants have shown a downward trend until 2012. This trend was the result of using a mix of fuels with lower carbon emissions potential, and improving average operating efficiency across our businesses full fleet of thermal plants. The increased intensity rate in 2012 over 2011 is primarily due to a full year's production at the DPL facilities acquired in late 2011.

**Figure 12: CO<sub>2</sub> Emission Intensity, 2007 - 2012**

As with thermal generation, our businesses' CO<sub>2</sub> emission intensity level for total generation also increased in 2012. Prior to the addition of DPL facilities, the overall downward trend in total generation emission intensity was the result of economic and other factors, including an

increased reliance on renewable energy in our generation mix. The contribution of renewables to actual dispatch increased from 13.6 percent in 2008 up to 16.6 percent in 2011, but the addition of DPL's predominately coal-based generation for all of 2012 dropped the contribution of renewables down to 14.6 percent.

A number of our businesses have emission quantity targets and goals primarily based on local regulatory programs and organizations such as the US EPA, the Regional Greenhouse Gas Initiative (RGGI) and the European Union-Emission Trading Scheme (EU-ETS). In 2012, AES businesses located in Europe were allocated 9,066,314 emission allowances via the EU ETS. Further, some of our businesses validate their emissions data through third party auditors. For example, our businesses subject to the EU ETS verified 7,566,595 metric tonnes of CO<sub>2</sub>e emissions. Our businesses subject to the Regional Greenhouse Gas Initiative (RGGI) verified 1,395,882 metric tonnes of CO<sub>2</sub>e emissions. AES has voluntarily disclosed these and other details on our carbon emissions via the CDP Climate Change (Investor CDP) Program. Complete details related to AES' inventory, methodology, regulatory regime, generation source, etc., can be found at <http://www.cdproject.net>.

### **INDIRECT GREENHOUSE GAS (GHG) EMISSIONS, SCOPE 2**

Scope 2 GHG emissions include electricity purchased from non-AES business generated sources for the business' own use as well as transmission and distribution losses of non-AES generated electricity sold to end users (AES distribution companies). Currently we track Scope 2 GHG emissions at our Brazil SBU. This data is not currently collected in other AES business units.

Scope 2 GHG data for our Brazil SBU prior to 2011 was not quality controlled so it has not been provided. The main difference between 2011 (180,558 MT) and 2012 (395,985 MT) Scope 2 emissions is due to a change in the Brazilian national emission factor, which is based on the quantity of energy sourced from hydro and thermal plants dispatch to the grid.

### **OTHER INDIRECT GREENHOUSE GAS (GHG) EMISSIONS, SCOPE 3**

Scope 3 emissions include other indirect emissions, such as transport-related activities and waste disposal. Compared to our overall scope 1 emissions, scope 3 GHGs represent a de minimis amount. We intend to review the GHG Protocol's Corporate Value Chain (Scope 3) standards for gradual integration of Scope 3 reporting using existing infrastructures and reporting systems.

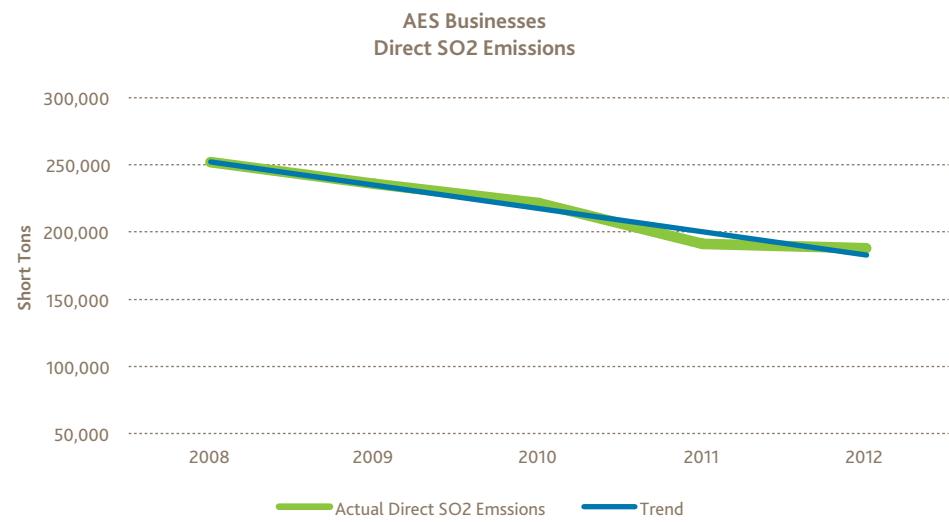
### **NOX, SO<sub>2</sub>, AND OTHER AIR EMISSIONS**

The data below represents AES' SO<sub>2</sub>, NOx and mercury emissions resulting from our businesses' major fuel combustion units on an equity adjusted basis. From 2007 through 2011 our businesses realized a general downward trend in such emissions. In 2012, while SO<sub>2</sub> emissions continued to decrease, NOx emissions increased due primarily to the addition of Dayton Power and Light (DPL) coal facilities to the AES generation portfolio.

**Figure 13: SO<sub>2</sub>, NO<sub>x</sub> and other emissions**

SO <sub>2</sub> NO <sub>x</sub> and Other Emissions	Unit	2008	2009	2010	2011	2012
Actual Direct SO <sub>2</sub> Emissions	Short Tons	251,911	235,748	221,406	190,838	187,675
	Pounds/ MMBtu	0.492	0.520	0.475	0.426	0.410
Actual Direct NO <sub>x</sub> Emissions	Short Tons	203,354	88,562	100,115	94,487	95,202
	Pounds/ MMBtu	0.397	0.195	0.215	0.211	0.208
Actual Direct Mercury Emissions	Metric Tons	N/A	3.39	3.12	0.45	0.40

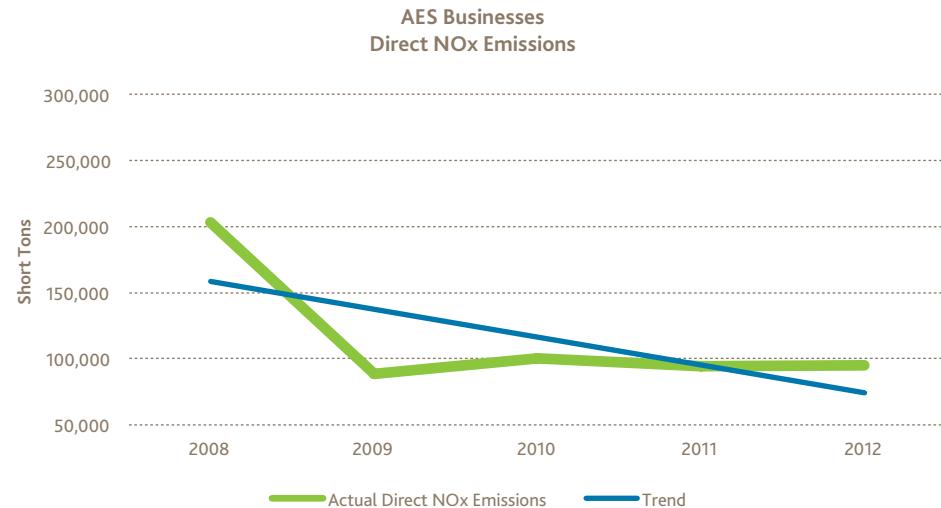
Our businesses have collectively been able to reduce SO<sub>2</sub> emissions by managing our fuel diversity and employing better emission controls and scrubbers. The annual quantities of NO<sub>x</sub> emissions have been more volatile and dependent on the dispatch by fuel type and NO<sub>x</sub> emissions controls available. In the case of emissions of ozone depleting substances (ODS), we continually look at resource use minimization via our EMS through our aspects and impacts methodology.

**Figure 14: AES SO<sub>2</sub> emissions trend, 2008 -2012**

For our businesses' generation mix that is coal-fired, emission intensity is somewhat mitigated by continuously looking for ways to improve power generation efficiency. DPL's Stuart and Killen Stations, for example, installed five Chiyoda scrubbers which have an SO<sub>2</sub> reduction rating of 95 percent. The scrubbers convert SO<sub>2</sub> into high-quality gypsum which can be used by the wallboard industry. In Kazakhstan, the Ust-Kamenogorsk CHP operation installed

high-efficiency nozzles at three coal-fired boilers, yielding a 20 percent reduction in NOx emissions. In addition, certain of our businesses installed new flue gas ash-removal equipment at a total of eight boilers, reducing particulate matter emissions by 53 percent and sulfur emissions by five percent.

**Figure 15: AES NOx emissions trend, 2008 -2012**



The data related to mercury emissions represent emissions from fuel combustion at selected SBUs. Currently the data is not verified, either externally or internally. We are evaluating using internal Quality Assurance and Control to validate these data in the future. In the future we will expand our GHG inventory to include direct emissions due to intentional or unintentional releases SF6 gases from all SBUs.

#### REDUCING GHG EMISSIONS – ENERGY EFFICIENCY FOR OUR CUSTOMERS

Several of our electric utilities offer renewable energy and demand-side efficiency programs. Each utility offers different levels and types of programs, depending on its market conditions. Demand-side efficiency investments are based on the local market forecasts and business budget. Our distribution business in Indiana offers renewable energy to customers via purchase power agreements that are reflected in a regulated pricing premium. Demand-side energy management (DSM) programs are offered to customers and tracked via a DSM tracker which supports regulated rates. At DPL, our distribution business in Ohio, the company invested \$15.9M in demand-side efficiency programs in 2012 and is targeting investing \$18.2M in 2013. As in Indiana, these investments are made to support customer demand for cleaner energy and load management programs.

In an energy efficiency program executed in partnership with Agência Nacional de Energia Elétrica (ANEEL), AES Brazil implemented technology improvements to promote energy efficiency in schools, hospitals, and public infrastructure. For example, improvements related to lighting, climate and air conditioning system equipment upgrades in at São Paulo kindergartens, grade schools, and universities. The program, titled "More Intelligent Consumption" has been in place since 2006. The efficiencies achieved through this US \$20 million program were much more significant than what was required by regulation, resulting in savings of 42,300 MWh annually – equivalent to powering 15,670 households for one year.

In another example, AES Eletropaulo, together with the City of São Paulo, replaced lighting systems in 17 highway tunnels. The US \$19 million project utilized longer-life LED technology applied differentiated luminance depending on ambient lighting conditions which resulted in safer driving conditions for motor vehicle operators. Further, the more than 9,200 fixtures installed reduced electricity demand by 80 percent and reduced operational and maintenance costs and carbon emission levels.

## ASPECT: WATER

Access to clean water in needed quantities is essential for human well-being and to sustain natural ecosystems. Our operations at many business locations need a significant amount of available water to operate efficiently. On an annual basis, our individual facilities may use from only a few hundred cubic meters of water (such as our smaller wind generation sites) to more than 700 million cubic meters of water (such as our larger electric power generation plants using fossil fuel combustion to generate steam to drive turbine-generators).

### AES won top honors for “Best Project Contributing to Value, Sustainability and Innovation” at the 2013 European Process Excellence Awards, for the Water Optimization Project at our AES Huntington Beach, California power plant.

Due to the nature of our business, businesses must site their power generation facilities in locations with an adequate supply of cooling water essential to thermal power generation operations. Our extensive portfolio of hydroelectric power plants, which comprise about 20 percent of our generation assets, must also be sited in locations with adequate water resources. Siting of our businesses individual production plants is done with careful consideration of the adequacy of long term (usually 30 years) water supply.

Water risk management is principally done at the individual production site level during the siting of the power plant. During operation, our businesses manage and monitor water quality and environmental related issues. As part of the EMS, AES businesses assess water use for level of potential impacts and potential mitigation when conducting environmental risk assessments on an ongoing basis and before embarking on major capital projects and acquisitions. AES businesses track annual water use quantities for each power generation plant, electric distribution business and major construction site, and report these environmental metrics annually via the EHS data management and reporting system.

In addition to assessing water resources through the EMS impact assessments, we monitor the management of these resources through our internal EHS and EMS audits.

During our Environmental, Health & Safety (EHS) internal audits, which cover all of our electric power generation and distribution businesses over a three-year cycle, water resource use regulatory compliance and risk are typically assessed. These assessments are performed periodically for electric power generation and distribution businesses already in operation. Any water resource management shortfalls are addressed as audit findings and by their closure actions.

To ensure adequate, proactive resource management, AES performs periodic/annual sensitivity analysis and stress testing on water availability (hydrology) on a local and aggregate basis. To date, these analyses show that AES businesses collectively have only a modest level of exposure to water-related operational risk. Never during the history of our company have

any of our businesses had to curtail operations of non-hydroelectric thermal (e.g. coal, natural gas) power plants due to water quantity or quality issues. This is significant because thermal plants cannot operate without sufficient cooling water. Of course, hydroelectric power plant operations are highly dependent on the availability of adequate hydrology and occasionally we have to curtail the operations of such plants when water levels fell in certain regions. AES businesses with recognized hydrology exposure include this as a key risk to be managed through the AES risk management system and often design contracting strategies to minimize their exposure.

**Figure 16: Water consumption**

Water Consumption	Unit	2009	2010	2011	2012
Total Water Withdrawal	Million Cubic Meters	4,869.80	7,573.30	8,727.90	7,310.80
Total salt / brackish water withdrawal		1,881.20	4,104.70	4,292.80	4,090.40
Total municipal water supplies (or from other water utilities)		24.10	24.60	26.50	47.00
Total water from all other sources		2,964.50	3,443.90	4,408.60	3,173.40
Water returned to the source of extraction at similar or higher quality as raw water extracted		2,963.00	5,688.30	7,191.20	6,984.50

Note: The data presented in Figure 16 include water consumed including process and cooling water but does not include water which flows through our hydroelectric power plant turbines for electric power generation. The four years of data presented in the Figure covers all our business sites that were operating during the specified year<sup>3</sup>. Data is collected by the businesses continuously and communicated to corporate via the EHS reporting systems and categorized and compiled as shown below.



We have identified three power generation plants as being located in water stressed areas. Of AES businesses' total water consumption in FY 2012, estimated at 7,310 million cubic meters, the three plants only accounted for 0.69 percent of water consumption. Although the three plants are geographically located in or near water stressed areas, their water needs do not add to community water risks because the facilities are adequately supplied by water from sources such as the sea or large fresh water reservoirs. AES Gener's Angamos plant in Chile uses a first of its kind desalinated sea water cooling tower. AES is evaluating the application of desalination technology at a variety of locations around the world.

3. AES periodically brings new operations online via construction or acquisitions and periodically divests itself of certain operations. Due to the many changes in our business portfolio, the information provided may include limited instances where reported individual site data for a particular year is missing or estimated with reasonable data substitutions

**Figure 17: Production facilities located in water stressed areas**

Plant	Location	Water Use (m3/y)
Amman East	Jordan	84,027
Angamos	Chile	41,167,174
OPGC	India	8,860,685

We will continue to monitor water consumption more closely in 2013 and improve our businesses water management approach by establishing thresholds for conservation and availability.

#### **WATER DISCHARGED, RECYCLED AND USED**

The four years of water discharge data presented in Figure 16 shows that 95.5 percent of water withdrawn from the various sources is returned to the source of extraction at similar or higher quality as raw water extracted. The table includes discharge from all our business sites that were operating during the associated year<sup>4</sup>.

Other wastewater streams our businesses generate include low volumes of power generation process streams (such as water treatment catalyst regeneration wastewaters), septic tank discharges, etc. All these effluent discharges are routinely evaluated and permitted by local regulators. For most of these effluent streams, water quality is tested upon discharge to ensure it meets local standards and is treated in accordance with appropriate required methodologies.

Water conservation efforts at individual operations include AES Itabo (Dominican Republic), which decreased water consumption by 20 percent through the reuse of wastewater for irrigation, road cleaning and bottom ash, and AES Amman East (Jordan), which decreased water consumption by 6 percent through the reuse of evaporation pond water for blowdown quenching.

#### **ASPECT: EFFLUENTS AND WASTE**

Many of our stakeholders are interested in our businesses' solid waste and wastewater discharge quantities and management practices. Fossil-fired generation plants may produce coal combustion byproducts (CCBs), solid wastes (e.g., small quantity hazardous waste, municipal waste), cooling water discharges and other wastewater effluents. Electric distribution businesses also generate these with the exception of CCBs and cooling water discharges. The proper discharge of effluents and disposal of waste represents an economic cost to the businesses, but avoids social and environmental cost to the nearby communities.

At the corporate level, AES annually compiles the quantities and disposal method of CCBs and water effluents. The quantities of other materials are not compiled because these are considered to be significantly smaller compared to overall CCB generation. Waste disposal and water effluent discharges are managed in accordance with environmental applicable requirements at the local business level. For U.S. operations, data required by the U.S. EPA such as the Toxic Release Inventory can be found online at [www.epa.gov](http://www.epa.gov).

4. AES periodically brings new operations online via construction or acquisitions and periodically divests itself of certain operations). Due to the many changes in our business portfolio, the information provided may include limited instances where reported individual site data for a particular year is missing or estimated with reasonable data substitutions

The AES EMS addresses potential environmental risks such as oil and chemical spills, hazardous gas releases, solid waste releases as appropriate for each AES business. Significant spills are tracked via the EHS Management Program until mitigated. In 2012, AES businesses experienced no significant spills.

### COAL COMBUSTION BYPRODUCTS (CCB)

AES businesses create and manage CCBs and cooling water effluent at the business level. The CCB and waste water are managed to meet or exceed local laws and we make every attempt to recycle whenever and wherever possible. Impacted AES businesses track both their CCBs and their water withdrawal and discharge quantities on a continuing basis for each operating and construction project location. These businesses report these metrics annually using our online EHS data management and reporting system.

The annual quantities shown in below represent the total CCBs generated from the operations of AES businesses' global thermal power generation fleet. Although we refer to coal combustion, a small portion of the waste reported results are from combustion of other solid fuels such as wood and pet coke. The CCB values reported include materials such as bottom ash, fly ash and air pollution control system byproducts. The percentages shown represent the total amount of CCBs that were beneficially reused from all AES business operations.

**Figure 18: Waste generated, 2009 - 2012<sup>5</sup>**

	2009	2010	2011	2012
Waste generated (metric tonnes)	5,918,918	6,594,290	8,159,071	6,918,972
Ash and gypsum waste recycled (percent)	26.2 percent	30.6 percent	30.4 percent	35 percent

AES businesses take every opportunity to identify and continuously improve beneficial uses for CCB, to recycle used oil and to engage in water conservation activities wherever practical.

- AES businesses beneficially reuses approximately 28 percent (collectively) of the 4.3 million short tons of CCBs it generates every year
- AES businesses recycle approximately 48 percent of the 1.2 million gallons of used oil generated every year
- Since July 2011, AES Cameroon recycled 82,217 pounds of paper, saving 522 trees

Since 2007, AES El Salvador recycled more than 95,063 pounds of paper annually, and donated proceeds to "adopt" and protect 1,069 hectares in local national parks.

5. The above table represents CCB waste generated and recycled. We estimate that CCBs represents over 90 percent by weight of the total waste material generated by our businesses' operations



## ASPECT: BIODIVERSITY

AES businesses protect habitats and biodiversity in keeping with their environmental management policies and principles through the EMS at the individual operating business and construction levels.

AES businesses address biodiversity issues where they are identified. Only a few of our businesses' operations have biodiversity impacts that require active management. Businesses' power generation assets are sited in locations with small geographic footprints. In keeping with the AES EMS Framework and Aspects and Impacts Assessment (AIA) processes, biodiversity issues are assessed during the permitting and environmental impact study phases of any new project. Significant biodiversity risks and impacts, if identified, are publically reported in the AES Annual Report under Environmental Risks and Environmental and Land Use Regulations sections. Our Engineering & Construction (E&C) group operates under a Project Execution Framework (PEF) process during which biodiversity issues are identified and mitigated as necessary to ensure our businesses' activities do not disrupt the local ecosystem.

Any biodiversity impacts that result from initial construction and during normal operations are mitigated as required. Examples of our businesses' mitigation efforts include installing sedimentation and erosion controls during construction, and ensuring temperature impacts are reduced from our businesses' cooling water discharges during power plant operations. For our electrical distribution businesses, although these operations can be geographically extensive, their infrastructure is static as represented by small footprint substations and electric line routes and have minimal impact on local flora and fauna.

Some AES businesses conduct operations in or adjacent to areas of high biodiversity value. These businesses are sited and operated in such a way as to actively control their biodiversity impacts. For example:

- AES Tiete, Brazil - This AES business consists of 10 individual hydroelectric power plants with reservoirs in Sao Paulo state, Brazil. AES Tiete is responsible for the maintenance and preservation of the hydroelectric plants and ensuring environmental restoration and restocking of fishing inventories in or near the reservoirs. AES Tiete also works to control illegal settling of people in areas adjacent to the reservoirs borders to limit adverse impacts on biodiversity. Since 2011, AES Tiete has:
  - reforested - 12,700 hectares of land surrounding the reservoir
  - restocked the reservoirs each year with 2.5 million fish of six native species including the endangered pacu and piranha species. AES Tiete was recognized in 2012 by the Sao Paulo state environmental secretary for contributions in preserving the pacu species.
- AES Changuinola, Panama – Palo Seco Forest Reserve, Republic of Panama; Key area for the conservation of migratory species of the neotropical wet forest (See additional detail on Changuinola in other sections of this document). AES Panama continued to work with local stakeholders and the government to reforest area surrounding the Changuinola hydroelectric facility.
- AES Eletropaulo, Brazil – This AES electric distribution business serving the Sao Paulo, Brazil metropolitan area routinely interfaces with areas that have high biodiversity value. While working in protected areas AES Eletropaulo implements specific procedures such as environmental impact assessments for new distribution line construction and tree pruning standards that preserve native tree species.

Our businesses operate in accordance with all applicable laws regarding biodiversity wherever they are located. At U.S. operations, our businesses manage biodiversity impacts in accordance with the Endangered Species Act and other relevant federal, state and local regulations. Although, biodiversity, IUCN Category I-IV protected areas and IUCN listed endangered species are not specifically mentioned in the AES Environmental Policy, this policy requires all business decisions to be made with careful consideration and protection of all identified environmental aspects.

Finally, as noted above, our businesses perform an Aspects and Impacts Assessment to confirm that new construction or changes to existing operations will not adversely impact the local biodiversity. We are adding steps to better incorporate compliance with the IUCN Red species list. We will include the steps to be taken and provide training related to the actions personnel working in AES businesses should take when an IUCN species is near our operational facilities and if the potential exist to impact any species.

## SNAPSHOT: MEXICO, CENTRAL AMERICA & THE CARIBBEAN SBU



**1,749** AES People in 16 businesses

### El Salvador: Partnering to Create Access to Electricity

In El Salvador, our distribution companies serve 80 percent of the national market and we have been developing rural electrification projects over the past 10 years with governments and communities. AES established a public-private alliance with Millennium Challenge Corporation to bring electrical power to the poorest and most remote areas in the country. Through this public-private alliance, electricity is now available to more than 180,000 people in 94 municipalities in the country's northern area. The program, implemented between 2009 and 2012, created over 8,000 direct and indirect jobs and increased access to electricity in the north from 72 percent to 90 percent.



#### Utilities:

**1,228,000**

Customers (CAESS 558,000; CLESA 342,000; EEO 260,000; DEUSEM 68,000)

**3,642**

GWh energy sold

**35,907**

Kilometers of distribution lines



#### Generation:

Coal

**819 MW**

Natural Gas

**1,780 MW**

Oil/ Pet Coke

**550 MW**

Renewables

**750 MW**

**TOTAL**

**3,860 MW**



# STAKEHOLDER ENGAGEMENT

## LISTENING TO OUR COMMUNITIES: THE COMMUNITY AMBASSADOR PROGRAM

Our Dayton Power & Light (DPL) business initiated The Community Ambassador Program in 2010 to enhance DPL business and community relationships with the local government customer segment and to give city and community leaders a point of contact for questions, opportunities or problems. The program targets 39 local communities in the 24-county service territory and allows us to stay close to our customers through local governments and community organizations.

## ELECTRICIANS BANK

With the purpose of meeting a strong demand for professionals in the energy sector, as well as ensuring the quality of the electricians' technical capacitation and behavior and its customers satisfaction, AES Eletropaulo (AES' subsidiary in Brazil, representing 30 percent of total AES Workforce) developed a process called Electricians Bank. It recruits, selects and enables individuals for its own workforce and also for its contracted partners. The program offers an allowance, transportation reimbursement, meal vouchers and more than 300 training hours for candidates that shall have at least an elementary education, electricians' coursework and an approved behavior profile. The candidates are recruited and trained in partnership with approved educational entities. The Electricians Bank already graduated more than 2,500 professionals for the aerial distribution, subterranean, substation, non-technical losses and new customer connection units.

AES improves the lives of millions of people every day around the world by delivering safe, reliable and sustainable energy. Within the dimensions of sustainability – economic, environmental and social – our ability to bring power to communities to enable community access to economic opportunities and social development, increase in living standards, access to better health care and education has always been a meaningful part of our success as a company.

## OUR APPROACH

In conducting our business and improving lives in our communities, AES interacts with a wide variety of other people, organizations, governments and businesses. We consider all these groups to be important stakeholders in our business. Customers, employees, lenders and investors are also stakeholder groups with whom we want to maintain solid relationships. Please see our Stakeholder Engagement table in the Appendix for more detail on the major categories of stakeholders, their key issues and how we engage with them.

Partnerships and stakeholder engagement are fundamental to the company's global strategy. We strive to strengthen relationships through meaningful engagement with our stakeholders. We work to structure stakeholder engagement activities to be interactive so we can receive effective feedback. For example, AES people are continually informed about events and issues facing the company through the internet, intranet, surveys, weekly newsletters and quarterly updates from the CEO and executive leadership team.

The Global Stakeholder Management program directs the key elements of our engagement strategy. AES manages certain key corporate level relationships through dedicated managers at our headquarters. We meet with ambassadors, country representatives, heads of state, government officials, regulators, international institutions and trade associations. For example, our government affairs representative interacts with high level government policy makers and institutions on behalf of The AES Corporation and communications with the Federal Energy Regulatory Commission (FERC) and North American Electric Reliability Corporation (NERC) are also managed at the corporate level.

AES Market Business Leaders are directly responsible for overseeing Stakeholder Engagement at the local level with the support of functional area leads. Execution of stakeholder management activities is considered in performance reviews of operations top managers.

In 2013, our goal is to implement a customized online platform for all AES businesses to better anticipate and prepare for stakeholder risks, map stakeholders and effectively manage each Stakeholder Management strategy.



## PARTNERING TO BUILD CAPABILITIES

In a joint program between AES and The Trust for the Americas, a new AES POETA UTP Center was opened in Panama, in partnership also with the Technological University of Panama (UTP). This AES supported center joins the previously opened AES POETA centers in El Salvador and Dominican Republic. The AES POETA (Program for Employment Opportunities through Technology in the Americas) centers benefit the local community by providing technology tools to enhance labor inclusion opportunities. The program is aimed at improving the quality of life in the communities where AES is located through enhanced education, vocational training and employment opportunities. AES specifically designed curricula tailored to areas related to local AES businesses and community needs. The company also plays an active role in transferring knowledge through "training the trainers" by AES volunteers.



All of AES businesses have implemented varying levels of engagement with local communities. Whether entering a new location or operating at an existing facility, we are focused on programs that can make a community stronger economically, socially or environmentally, impact assessments and development programs. Local stakeholders often bring knowledge of local conditions and challenges that help us develop better solutions. Where practical, our team involves stakeholders in the planning, implementation and evaluation of community programs. This participatory approach helps ensure accountability as well as community ownership of AES programs and, as a consequence, increases their effectiveness.

## ASPECT: IMPACTS ON EDUCATION AND LIVING STANDARDS IN OUR COMMUNITIES

Education, health and well-being have become areas of special interest to AES as a result of our work in underserved areas. Some of our programs designed improve education and living standards include:

- Access to electricity and basic services
- Education and training, providing vocational training and employment opportunities for young people
- Safety
- Job creation
- Environmental improvements

In addition to the educational programs undertaken at Changuinola, AES is proactively investing in long-term programs that educate thousands of children in Brazil, Cameroon, Argentina, El Salvador and the United States. We support programs that provide traditional basic schooling as well as programs about how to safely manage electricity. As a provider of electricity, we are often well positioned to educate our customers and partners about energy efficiency measures. As one of our core Values, safety is at the forefront of all AES' community efforts with public safety awareness campaigns conducted in the communities we serve.

We recognize that major infrastructure projects bring great opportunities to local communities by providing short and long-term employment, creating a greater demand for services and materials which helps the local economy, and improves citizen's quality of life via the provision of safe and reliable energy. The projects however, can at times be disruptive to families and communities as siting the projects can require relocation. AES local businesses establish guidelines or processes to ensure fair and transparent measures are taken when families or businesses, whose property will be totally or partially impacted, whether temporarily or permanently, are displaced and must be involuntarily relocated as a result of the construction of a project and its operations. Working with the local government and impacted people, the local AES businesses design and employ plans and programs for the communities impacted.

## CHANGUINOLA, PANAMA

In late 2011, AES concluded the construction of the largest infrastructure project in Panama's recent history. Changuinola is a 223 MW hydro power plant that started commercial operations in 2012. Bringing this major hydroelectric project online revitalized the economy of this previously depressed agricultural area in northwestern Panama, generating more than 3,500 jobs.

The area in which the project is located has major unaddressed needs, unemployment, and a median schooling level of 6 years. AES Panama is working to improve these conditions through a long-term investment in community empowerment focused on training and employment. Local communities also benefited from the construction of new infrastructure such as roads, rural aqueducts, schools and a rural hospital.

While Changuinola was under construction, AES invested more than US \$60 million to help people resettle, build the community infrastructure and conserve the environment, in addition to the direct investment costs of the project. The project sourced materials from nearly 200 local businesses. As part of the Changuinola development, AES provided vocational training to about 800 people. Eighty percent of the construction workforce was from the local community. Now, more than 600 people who were trained and gained experience working for AES are working on the expansion project of the Panama Canal.

AES developed a sustainable reforestation program along with the communities living in the vicinity of the power plant, providing start-up capital, training and other tools for them to create micro businesses supporting the reforestation plan. More than 100 families currently participate in nurseries and agroforestry farms contributing to their livelihoods as well as the preservation of the local environment.

For more than 13 years, AES has contributed to sustainable development of the energy sector of Panama by increasing our hydroelectric generation capacity by 150 percent. Changuinola will provide zero emission, sustainable energy for the economic and social development of Panama today and for future generations of Panamanian citizens. Generating approximately 1,046 GWh annually, the plant now produces approximately one fifth of the country's annual electricity supply.



## ASPECT: PUBLIC SAFETY

Many of AES' operational activities are often conducted in close proximity to the general public. This is particularly true for our electric power transmission and distribution businesses where electric substations and electric line routes are located in the communities where we operate. When members of the public come into contact with electric power operations, severe injuries can occur. The table below indicates the number of fatal injuries involving members of the general public that have been experienced when coming into contact with our operations during the last four years.

**Figure 19: AES public related fatalities 2009 - 2012<sup>6</sup>**

Public Fatalities	2009	2010	2011	2012
Members of the General Public	65	53	52	45

The fatalities were the result of incidents such as nearby construction activity, nearby vegetation pruning, kite flying, horseplay, trespassing into substations, including with the intention of theft, attempting to make illegal connections to the electric network, approaching down lines and other unsafe behaviors or accidents. The data does not include fatalities due to traffic accidents involving our infrastructure.

Each individual life affected by these public safety incidents is important to us. We collect information related to each incident and where appropriate, we may enhance our security practices, informational signage and/or other measures to help prevent such incidents from occurring again in the future.

To address this issue, some AES businesses have created an innovative program to address unauthorized electricity connections and improve energy supply conditions in low income communities. The program includes inspection and renewal of electric installations inside and outside residences, replacement of high energy consumption appliances with more efficient devices, replacement of incandescent lamps with compact fluorescent lights (CFL) and lectures on safe and adequate electricity consumption. To learn of the physical security actions we have taken to help reduce the number of incidents, please refer to the Physical Security section on page 50.



6. The fatalities that occurred in 2012 took place in the following four countries: Cameroon (18 fatalities); Brazil (16 fatalities); Ukraine (8 fatalities) and El Salvador (3 fatalities).

## SNAPSHOT: ASIA SBU



**405** AES People in 4 businesses

### Philippines: Strengthening Supply

In 2012, our Masinloc power plant Generation: received the bronze award in the category for "Best Coal Power Plant in Asia 2012" from Asian Power magazine.

In rehabilitating the Masinloc Plant, a power facility acquired in 2008, AES Philippines increased the plant's efficiency by 13 percent and increased its output by 31 percent while lowering emissions levels in compliance with World Bank standards. A more proactive safety culture was implemented including extensive training programs and recognizing outstanding employee safety performance. AES Philippines won the 2011 EEI Edison Award, the electric power industry's most prestigious honor, for this turnaround.

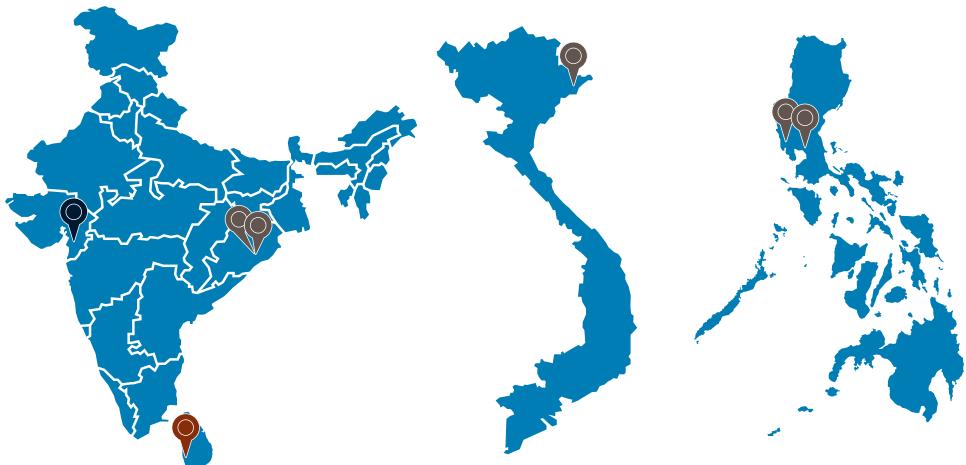


#### Generation:

Coal	<b>1,080 MW</b>
Renewables	<b>39 MW</b>
Diesel	<b>168 MW</b>
Gas	<b>50 MW</b>

#### TOTAL

**1,337 MW**



#### Map Key

- Coal
- Wind
- Diesel
- Gas

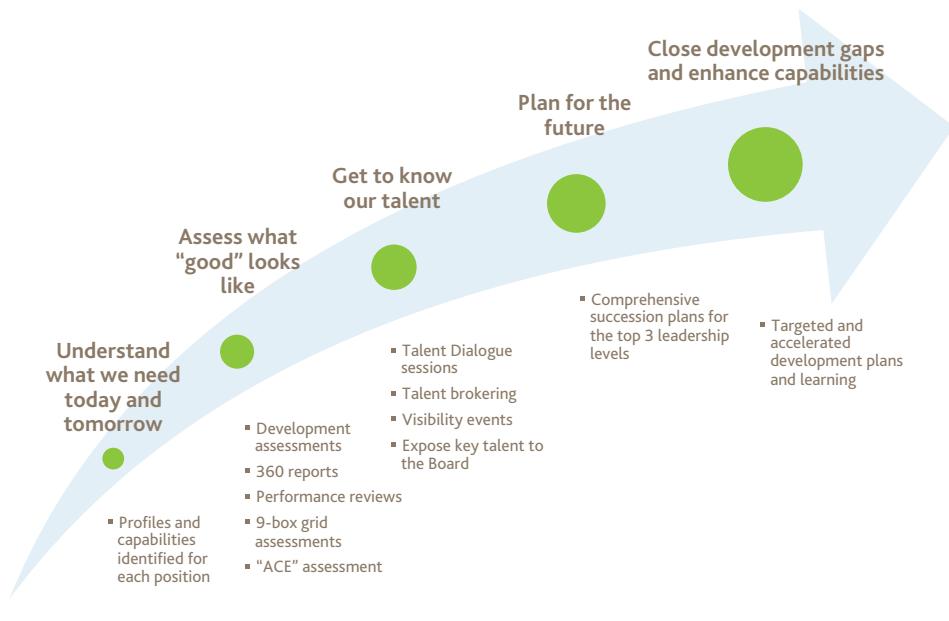
# AES PEOPLE

As a company, we recognize that it is the energy our people bring to what they do that makes everything possible. Guided by our shared Values, we are the energy that improves lives in every market we serve. Our company tag line "We are the energy" underscores that we – our people – are the energy that makes it all happen.

## OUR APPROACH

At AES, we know we need to have the right people in the right place at the right time to meet the company's commitments and sustain our success, which is why we have a comprehensive approach to managing our talent and developing leaders. Our goal is to make the way we work a competitive advantage for the company.

**Figure 20: AES' integrated approach to global talent management**



We strive to attract and retain dedicated, talented employees wherever we operate. Our Global Talent Management program takes an integrated approach to the way we manage our talent. The program enables us to understand our capability needs for today and what we must develop for tomorrow. We have spent a significant amount of time building a talent management framework that helps us to attract, retain, motivate and grow our talent. AES Global Talent Management program ensures that the people we hire are provided with appropriate training programs and opportunities to learn, advance and lead. For example, our people participate in an AES Performance Excellence (APEX) process to share their ideas and continuously improve our tools and methodologies.

In 2012, AES did not experience significant variations in employee numbers. The diversity of our workplace is important to us and we are working to develop systems to enable us to report on the makeup of our workforce in more detail at the corporate level.

Our AES People and the supervised workers who support them perform many various, complex and sometimes dangerous jobs across the countries and businesses where we operate. An essential dimension of the AES culture is our commitment to the safety of all those who work on our behalf.

In keeping with AES Values, we always focus on Putting Safety First. Safety is not only a priority at AES it is our way of life and our first Value. Individual safety performance is a key indicator in all annual reviews. Across every market we serve, we strongly believe that:

- workplace risks and hazards can be contained,
- our businesses should strive for a workplace free of incidents,
- working safely is a condition of employment for which every person is responsible to themselves, their teammates, and to the community; and finally,
- all people and contractors have the right and obligation to stop work when situations appear unsafe.

Safety is a continuous process and we will not be satisfied with our efforts until our businesses are incident-free at all of our locations.



## ASPECT: GLOBAL TALENT MANAGEMENT

AES people are at the foundation of our ability to achieve the long-term goals we've set for the company. We've defined how we want to make the way we work into a competitive advantage for AES through expected behaviors, capabilities, experiences and expectations we need our people to possess and display, both today and for the future, and we understand the impact it has on our business performance.

### DEFINING EXPECTATIONS FOR OUR LEADERS

Our expectations for our leaders are rooted in our business strategy. Our seven core competencies are derived from our cultural assessment and aspirations. These are the key behaviors and competencies that are most critical to changing how we work and achieving our overall goals as a company. These competencies include:

- Ownership & Accountability
- Vision & Clarity
- Coordination & Integration
- Organizational Capability
- Teamwork
- Business Agility
- Customer & Market Focus

These competencies are used in assessing our leaders and their potential development opportunities, and in discussing our talent relative to these measures.

The set of leadership competencies draws upon research conducted by Denison Consulting with thousands of organizations leaders to identify factors that are crucial for building a high-performance corporate culture and for delivering exceptional business results. The competencies were tailored to reflect the strategic priorities for AES as well as the leadership behaviors needed to build and sustain a highly performance AES culture. These seven keys competencies are applicable to all AES people.

Since 2009, AES has adopted a comprehensive global performance management system that includes all middle and top management positions in addition to local systems in each country where we operate. In 2012, 83 percent of AES people participated in a formal performance appraisal process.

## UNDERSTANDING AND GROWING OUR TALENT

We have adopted standard processes to understand individuals' capabilities and competencies and grow our portfolio of talent. We spend a significant amount of time to understand the current state of our talent through reviews, development assessments, measuring performance, obtaining feedback, including 360 degree feedback, and providing coaching and mentoring. We continue to take specific steps and tangible actions to better understand and grow our portfolio of talent to get the right people to the right place at the right time.

Every opportunity is taken to discuss our talent both informally through talent visibility events and formally through talent dialogue sessions at multiple levels in the organization to review, measure and understand our talent. Succession plans have been developed to ensure we're developing the needed skills and capabilities in our future leaders.

To ensure we have the right talent and skills to continue to meet the demands of our business, we understand the importance of further developing our talent from within the company. Our approach to talent development is focused in three key areas: Formal Learning Programs, Assessments and Career Planning, and Experience and Exposure. We continue to expand what we offer in these areas based on business needs.

At AES, we make learning opportunities and resources available to our people and our leaders globally through online resources, formal classroom training and on-the-job learning opportunities. Last year, AES had an average of 60 hours of training per person.

We also leverage our diversity. We believe diversity in experience, education, thought and cultural background is important to making the right decisions and delivering results. We are measuring the diversity in our leadership team to ensure we aren't complacent and homogenized in our decision-making.

## LEVERAGING TOTAL REWARDS

To attract, retain and motivate top talent, a competitive and performance-oriented total rewards program is critical. We invest significant time and resources to ensure our compensation programs are competitive and reward high performance. Each year, AES people, who are not part of a collective bargaining agreement, are eligible for an annual merit-based salary increase. In addition, individuals are eligible for a salary increase if they receive a significant promotion.

Successfully managing a global business requires a global mindset. Our leaders can acquire this mindset in a variety of ways whether it is in a role at our corporate headquarters with global functional responsibility, a rotation into headquarters from a business or an assignment in a different country. Many of our leaders have worked in multiple countries and can connect the dots in a different way through the experiences they gained navigating different workplace cultures.

## 2012 AES PERFORMANCE EXCELLENCE (APEX) AWARDS

### 1st Place

El Salvador: Total Maintenance Management System, A Cultural Transformation of Maintenance - The team created a maintenance management system by using innovative and low-cost tools and techniques to enable planning and prioritization of distributed assets as well as tracking performance following maintenance activities. The project led to reductions in both SAIFI and SAIDI, gaining savings associated with the Quality of Service and Non-Served Energy Penalizations.

### 2nd Place

Kazakhstan: Innovative Approach to the Management of a Construction Project - By reinventing the way construction projects are managed in Kazakhstan, the team delivered the turbine one replacement ahead of schedule with zero accidents and budget savings despite difficult environmental conditions and the complexity of the project.

### 3rd Place

Mexico: Main Fluidization, Cyclone Pluggage Reduction - The team improved the efficiency of the plant by eliminating the forced derate hours caused by cyclone pluggage. As a result, the Equivalent Forced Outage Factor (EFOF) improved to 0%.



**Figure 21: AES People demographics**

	Permanente - Full time Employees			Supervised Workers	Total Workforce
	Female	Male	Total	Total	Total
Andes	217	1,327	1,544	1,871	3,415
Asia	88	317	405	1,006	1,411
Brazil	1,943	5,483	7,426	9,150	16,576
EMEA	2,162	7,450	9,612	4,165	13,777
MCAC	263	1,486	1,749	2,743	4,492
US	749	3,008	3,757	2,230	5,987
Corporate	151	226	377	60	437
<b>Total</b>	<b>5,573</b>	<b>19,297</b>	<b>24,870</b>	<b>21,225</b>	<b>46,095</b>

### AES PEOPLE DEMOGRAPHICS

AES' work is performed solely by permanent employees or supervised workers. In 2012, AES did not experience significant variations in employee numbers. Gender data for Supervised Workers was not available but will be included in future reports. Employee and supervised worker totals, by SBU, are listed in Figure 21. Of our nearly 25,000 permanent full-time employees, 83 percent are covered by collective bargaining agreements.

### AES PERFORMANCE EXCELLENCE (APEX)

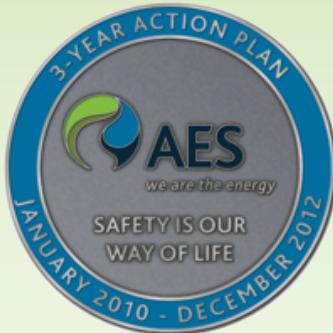
Continuously improving – whether it is becoming safer, increasing our reliability or creating a more sustainable company is ingrained in how our people work. Our businesses across our six market-facing Strategic Business Units are using our internal continuous improvement methodologies and tools, AES Performance Excellence (APEX), to do just that.

In 2006, we began to approach, address and solve key business issues in a common way using APEX. APEX has enabled our businesses to make progress towards our long-term strategic objectives by making our processes more efficient and reducing waste.

The benefits of our APEX efforts are measureable and recognized. In 2012, APEX teams completed more than 450 projects that delivered tens of millions in benefits to the company. Our APEX program and associated key projects were selected as finalists for two prestigious Process Excellence (PEX) awards in 2012, a leading third party in process excellence.

## AES' HIGHEST PRIORITY – "PUT SAFETY FIRST"

Commemorative Coin used to promote the 3-Year Action Plan.



## ASPECT: OCCUPATIONAL SAFETY AND HEALTH

AES businesses place the highest priority on making safety our way of life. Our stakeholders expect our businesses to be a safe place to work and to take a professional attitude toward industrial safety both on and off the job. The company encourages its businesses to promote safety in a variety of different ways.

In 2009, AES commissioned DuPont Safety Resources to perform an independent global survey regarding safety behaviors and attitudes at AES and its businesses. The results from this survey formed the foundation for a comprehensive three-year action plan. In 2010, AES businesses began a company-wide initiative to achieve world-class safety levels by the end of 2012. Accordingly, occupational safety risks are identified and assessed at the business level on a continuing basis.

Our three-year action plan was supported by company-wide safety goals, such as targets for proactive safety indicators such as "quantity of safety walks", "risk mitigation", "safety meeting participation", and others. Each AES business implemented these goals in alignment with its local working conditions. Safety performance became linked to performance metrics and compensation to ensure appropriate alignment and prioritization.

### SAFETY MANAGEMENT

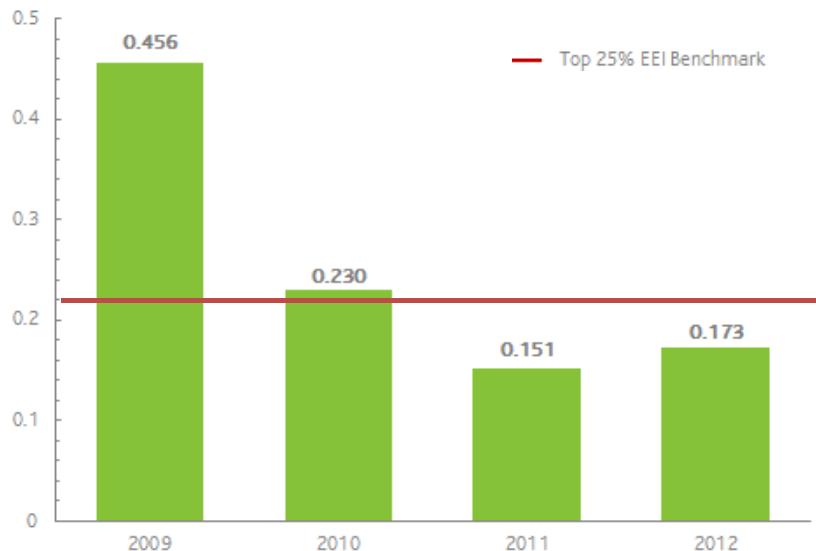
The AES Safety Management System (SMS) Global Safety Standard requires continuous safety performance monitoring; risk assessment; and performance of periodic integrated environmental, health and safety (EHS) audits. The SMS standard is consistent with the OHSAS 18001 standard, and as noted in Figure 22, many of our businesses have elected to formally certify their Safety Management System (SMS) to the OHSAS 18001 international standard and ISO 14001, Environmental Management System standard.

**"At AES, there is one way to do it right—and that is doing it safely."**

*Andrés Gluski  
CEO, AES Corporation*

**Figure 22: External recognition / achievements in safety**

Country	Business	Recognition / Achievement
Argentina	San Nicolás	OHSAS 18001 and recertification of the PBIP code
Argentina	Hydros	ISO 9001:08 ISO and OHSAS 18001:07
Chile	Norgener	OSHA 18001 and ISO 9001
Chile	Gener	Award of Merit for its preventive management, Member of the National Safety Council and Leadership award in safety and occupational health
Chile	Los Vientos & Santa Lidia	OHSAS 18001
Chile	Ventanas IV (Campiche)	The National Safety Council and Safety labor Institute awarded The Project Ventanas IV for reaching 6 million hours without LTIs.
Chile	AES Gener	Member of the National Safety Council; Leadership award in safety and occupational health
Chile	Complejo Cordillera & Gener Costa Ventanas	OHSAS 18001 by Bureau Veritas
Chile	Angamos	OHSAS 18001 & ISO 9001 by Bureau Veritas
Chile	Campiche	Recognition by the Chilean National Safety Council
Hungary	Tisza II	RoSPA Gold Award
Ireland	Kilroot	RoSPA Gold Award
Ireland	Ballylumford	RoSPA Gold Award for 2012, OHSAS 18001 accreditation
Jordan	Amman East	Health and Safety Excellence Award from the Jordanian Social Safety Corporation
Kazakhstan	All	ISO 9001:2008, BS OHSAS 18001:2007, and "The Company of the year – Power industry"
Kazakhstan	Sogrinisk CHP	Recognition for safety and proper work conditions for employees by Eastern Kazakhstan Department of Labor & Social Protection of Population
Kazakhstan	Shulbinsk HPP	Recognition for contribution in health and safety by Ministry of Labor and Social Protection
Bulgaria	Maritza	British Safety Council BSC award (scored 52 out of 60), British Safety Council BSC (for Waste Disposal Facility, scored 54 out of 60) award and "Best Employer in the region" recognition by Industrial and Commercial agency Plovdiv
Turkey	Entek	ISO 9001 and OHSAS 18001 Quality, Environmental and Health & Safety Integrated Management System
Philippines	Masinloc	Silver Safety Award from the Philippines Energy Safety and Health Association Safety Award from the Department of Labor
Sri Lanka	Kelanitissa	British Safety Council BSC award, OHSAS 18001 and RoSPA Gold Award for Occupational Health and Safety

**Figure 23: Lost-Time Injuries Rate - Operational Contractor**

AES businesses have four specific safety programs to address safety risk identification and assessment. Procedural elements of the local Safety Management System (SMS) requires each AES business to establish and maintain a planning process to identify hazards, evaluate the occupational health and safety risks and implement effective control measures for its facilities and work activities. Additional risk and near-risk identification and assessment requirements are imposed by the local “Job Safety Analysis & Pre-Job Briefing” safety program which requires job-specific safety risk assessments to be made by individual employee and contractor work teams at AES businesses before any medium-risk or high-risk work is undertaken. AES businesses have an “Incident Management” safety program that requires safety incidents, ranging from occupational fatalities down to Near-Miss events, to be reported via our global EHS data management and reporting system, and requires the businesses to investigate, perform a root cause analysis and implement corrective actions. Finally, the local “Proactive Safety” safety program requires each AES business location to establish an active safety walk program where leaders and other team members are required to conduct in the field observations and interaction with workers with the goal of identifying and correcting potential safety risks. All of the above safety risk identification and assessment measures result in tens of thousands of such safety mitigation activities performed across AES every year. AES businesses must share with the corporate EHS group all incidents that occur within their area of responsibility, and this group communicates the lessons learned as appropriate to other AES businesses exposed to similar risks. The most significant of these incidents are shared with AES people at other AES businesses during monthly safety meetings.

## NEAR-MISS REPORTING

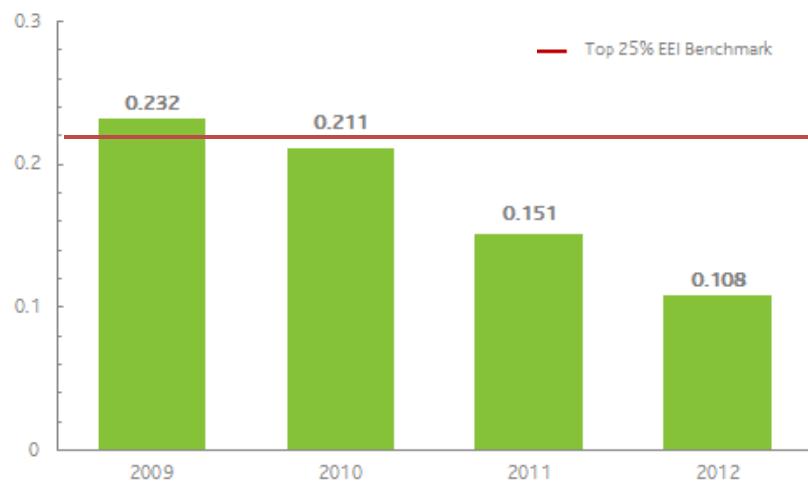
While the results of our three-year action plan have shown improvement, we have concern even when we experience only one occupational related fatality of one our businesses' employees or contractors. During the past three years, the number of complete near-miss incident reports was:

2010	1,282
2011	1,089
2012	576

We believe the decrease in the number of reported significant OHS-related near-miss incidents is because of the increased emphasis our businesses have placed on safety which has had a positive effect on our occupational safety culture. Although the near miss incident management process is mainly intended for the use at the business site level, the process also allows for sharing of lessons learned as follows:

1. All AES OHS professionals have "read" access to the AESOnline System near-miss reports which allows them to better understand incidents that have occurred at other AES operating business and construction projects, and
2. The AES corporate EHS team issues a monthly report to all AES OHS professionals highlighting the most significant OHS-related near-miss incidents that have occurred during the preceding month.

**Figure 24: Lost-Time Injuries Frequency Rate – AES People**



## SAFETY PERFORMANCE METRICS

AES businesses calculate Lost-Time Injuries Frequency Rate for their employees and contractors based on OSHA Lost Time Case Rate. OSHA has established specific calculations that enable any company to report their lost time rates so that they are comparable across any industry or group. The standard base rate for the calculations is based on a rate of 200,000 labor hours. This number (200,000) equates to 100 workers, who work 40 hours per week, and who work 50 weeks per year. Using this standardized base rate, any company can calculate their rate(s) and get a percentage per 100 workers. The data was reviewed and analyzed by Dupont and Bureau Veritas as part of a safety culture survey.

With respect to the four-year trend in fatalities of employees and contractors shown in Figure 25, it is important to note in the three-years that preceded this time period (2006 to 2008), our businesses were experiencing a substantially higher number of fatal incidents annually with an average of 4.67 employees fatally injured per year and 9.0 contractors fatally injured per year. By way of rigorously implementing OHS programs across the globe during the last four years, including executing a proactive safety focused 3-year safety action plan, we have been able to significantly reduce the number of occupational fatal incidents of our businesses' employees and contractors.

A more in depth analysis of the last four years indicates that we have had a general downward trend in our businesses' employee fatal incidents culminating with only one such incident in 2012. We believe that the principal reason for this performance improvement is that our OHS programs and efforts have a more direct influence on our businesses' employee workforce.

Conversely, our businesses' fatal incident performance with contractor personnel during the last four years has been mixed. We believe the reason is the degree of influence over contractors. The ELT and SBU Leadership are more deeply focused on our businesses' contractor work force to enforce safety measures consistently at all levels.

**Figure 25: AES businesses' work related fatalities 2009 - 2012**

Work Related Fatalities	2009	2010	2011	2012
Employees	3	2	3	1
Contractors	5	5	3	6

Finally, we will not be satisfied until the program achieves a zero fatal and other significant safety incident workplace for our businesses' people and contractors. Our businesses continue to execute their OHS programs focused on safety management system excellence and proactive safety to strive to reach a zero incident workplace. We believe that such a workplace for our businesses' people and contractors with no significant safety incidents is achievable in the near future at AES.

## HEALTH AND WELLNESS

In health management, we have a long-standing commitment to the health and well-being of our employees. Wellness initiatives, which are locally and culturally relevant for our diverse portfolio of businesses, are available to employees through our business locations.

With regards to the prevention and measurement of occupational health hazards on a global basis, we utilize a standard approach for anticipating such hazards during the design stage, employ professionals competent in recognizing known occupational health hazards, follow industry best practice around quantifying employee exposure to known occupational health hazards (i.e. measuring workplace environment, measuring absorption-by the body, and early detection of symptoms), and measure new cases of occupational disease at the corporate level on a continuing basis. These measures cover 100 percent of all of our businesses' employees.

During the design phase of new power plants, our businesses establish detailed design specifications based on a combination of applicable local requirements, World Bank and IFC standards and internal safety and health standards on elements, such as allowable noise levels, permissible chemical exposures, workplace lighting requirements, as part of the new project engineering, procurement and construction process.

During the project construction phase and at our operating businesses our businesses employ competent Environmental, Health & Safety (EHS) professionals to recognize known health hazards.

Similarly to our management practice to monitor all occupational safety related injuries, we use our web-based global EHS data management and reporting system, the AESOnline System, to track new cases of occupational diseases based on the requirements of our Incident Management Standard. All of the above occupational disease related management processes cover 100 percent of our businesses' employees and supervised contractors working at our operational businesses and construction projects.

We believe that good health and disease prevention is a mindset. We are committed to protecting our businesses' employees from work-related hazards as well as promoting their health so that they can be fit and lead healthy lives, both at work and at home. AES businesses invest in programs and actions to ensure the individual's health, safety and ergonomics. Some of these programs and actions are:

- Specific programs against smoking
- Nutrition programs
- Programs focused on reducing stress and sedentary lifestyle
- Labor gymnastics
- Vaccination Campaign
- Communication channels for employees feedback
- Non-work-related stress management programs

## HEALTH AND SAFETY COMMITTEES

Under the SMS Framework, all employees and contractors of our businesses undergo training to prevent work-related risks and occupational health hazards. This training is principally managed at the local business level by the business leadership and safety professionals at that level with representation from the workforce. The extent and type of safety training that employees and contractors undergo is dictated by the work functions of each individual.

The attendance level of employees at these monthly safety meetings is well over 90 percent. Specific emergency training, provision of PPE, setting of education and training targets and tracking of hours spent on training is all done at the local AES business level and is usually coordinated by the safety professionals at that level. We believe that the 56.4 percent reduction in Lost time incident frequency rates (LTIFR) for employees and 65.2 percent reduction in LTIFR for contractors from 2009 to 2012 is attributable in part to the emphasis that our businesses placed on safety and health training of its people and contractors.

The AES Corporation aims to provide its businesses with a safe and healthy working environment. The formal agreements AES businesses have established with trade unions cover several health and safety issues, including risk premiums, sickness allowances, accident compensation, hospitalization, dental care assistance and life insurance. Additional topics may be also be included in order to meet local legislation in the countries where our businesses operate and to ensure collaboration with AES' Global practices such as Workplace Accident Prevention Week, Environmental Risk Prevention Program, Ergonomic Reports, Medical Control of Occupational Health Program, and others.

# SNAPSHOT: EUROPE, MIDDLE EAST & AFRICA SBU



## Kribi Project, Cameroon

The AES Sonel team in Cameroon had a recent success in working with stakeholders to manage the impacts of displacement on local peoples, when an infrastructure project required moving residences.

The Kribi Power Development Company (KPDC), a public-private partnership with the Republic of Cameroon, began the construction of Kribipower plant (Kribi) in 2012. The plant, the first of its kind in Cameroon, is a 216 MW natural gas-fired power station located in Mpolongwe, a village situated 9 km north-east from the coastal city of Kribi in Cameroon.

The construction on the project involved the installation of a 100 km, 225 kV double circuit transmission line between the generating facility and the Mangombe substation (EDEA). Kribi represents about 20 percent of the total installed capacity and provides an alternative stable base load and peaking power source in a system dominated by hydro facilities which are unable to generate at their full capacity during the dry season.

The development of the project required the relocation of approximately 680 people/households. Through processes put in place to manage the relocation, the local team, comprised of AES and local representatives, succeeded in managing the resettlement without causing undue inconvenience to the displaced families or impacting the project implementation timeline.

The process used by KPDC to manage the displacement was later recommended by the local Government officials as an example of good practices to be followed for future projects.



**9,612** AES People in 25 businesses



### Utilities:

**2,206,354**

Customers

**11,235**

GWH sold

**5,950**

Kms of service transmission lines

**58,392/337 km**

Distribution lines/  
heat distribution pipes



### Generation:

**207 MW**

Wind

**2,927 MW**

Coal

**378 MW**

Oil / Diesel

**4,065 MW**

Gas

**1,819 MW**

Hydro

**TOTAL**

**9,396 MW**

