



**We are  
AES Tietê**

## We are AES Tietê

We are a company that offers customized energy solutions for each client. We provide autonomy for companies from different sectors to decide on the most sustainable method for meeting their energy needs in every sense: efficiency, availability, reliability and innovation.

Our business ranges from the sale of energy generated by hydroelectric plants and Wind Complexes (and soon by solar plants as well), to development of large and small renewable energy service and solutions. We operate from end to end: development of solutions, commercialization, financing, implementation, operation and maintenance of renewable solutions and new energy services that enable the integration of sustainability into our clients' businesses.

In 2017, we consolidated our position as a platform for solutions that integrates new technologies, innovation, sustainability, agility

and technical know-how to offer renewable solutions and new energy services. To do this, we reinforced and trained our commercial team and created a market intelligence area dedicated to analyzing the external scenario and anticipating our customers' needs and demands.

We have safety as number one value. We have structured practices to ensure a safe environment for our employees, contractors and surrounding communities, as well as robust systems for the integrity and availability of our assets.

## AES Tietê in numbers

**428**  
company  
employees



**974**  
contract  
employees



**R\$ 1.9**  
billion  
in gross operating  
revenue

**R\$ 3.8**  
million  
invested in  
social programs

**12,148.5** GWh  
of generated energy

**13,175** GWh  
of billed energy



**3,354** MW  
of installed  
capacity\*

\* Considers the Guaimbê Solar Complex (150 MW), with which the company has an investment agreement, in addition to the Boa Hora (75 MW) and AGV Solar (75 MW) Complexes, all under construction.

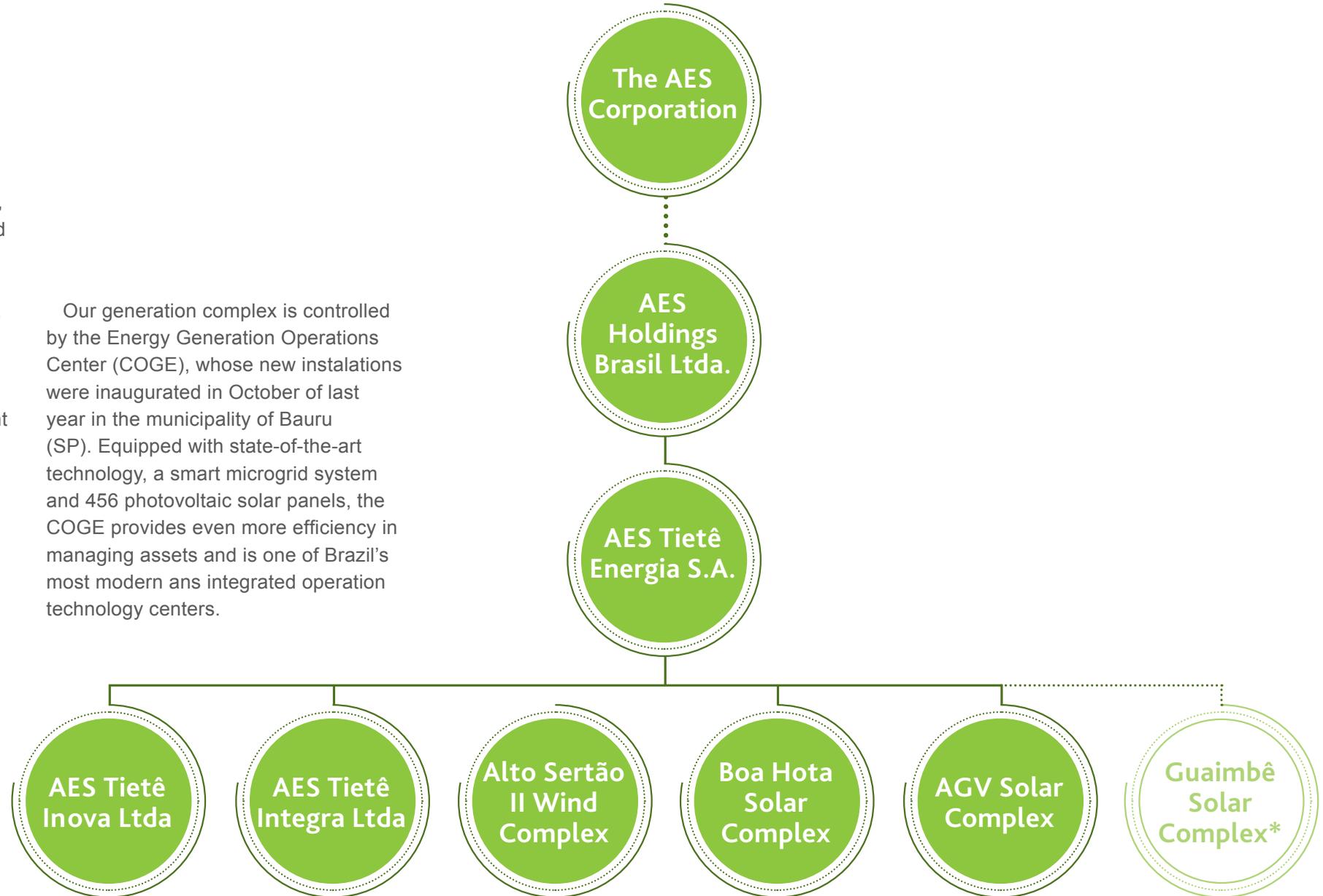
We are an  
integrated  
energy  
platform that  
adapts to our  
customers'  
demands

**R\$ 98.9** million  
invested in maintenance and  
modernization of plants

In relation to generation, we expanded our capacity through the acquisition of the Alto Sertão II Wind Complex (Bahia) and the Boa Hora Solar Complex as well as with an investment agreement to build the Guaimbê Solar Complex (both in the heartland of São Paulo). Also in 2017, through the A-4 Bid, we were awarded the right to sell energy generated by the Água Vermelha Solar Complex on the regulated market; this complex will also be built in São Paulo. Not only is this diversification proof of our commitment to offering energy from renewable sources, it is also important to lower our exposure to hydrological risk and guarantee the company's sustainable growth.

Our generation complex is controlled by the Energy Generation Operations Center (COGE), whose new installations were inaugurated in October of last year in the municipality of Bauru (SP). Equipped with state-of-the-art technology, a smart microgrid system and 456 photovoltaic solar panels, the COGE provides even more efficiency in managing assets and is one of Brazil's most modern and integrated operation technology centers.

### Corporate structure



*\* Investment agreement with Cobra Brasil*

# AES Brasil

AES Tietê Energia S.A. is controlled by AES Holdings Brasil, the national investment vehicle of The AES Corporation (AES Corp.), one of the biggest electric energy sector groups, with offices in 17 countries as well as a power generation, distribution and storage portfolio. BNDESPar, a wholly-owned subsidiary of the Brazilian Development Bank, is another relevant shareholder of the company, listed in level 2 of corporate governance of B3 SA Under the control of AES Tietê Energia SA, there are service companies such as AES Tietê Inova, to distributed generation projects and AES Tietê Integra, a provider of electric infrastructure and energy management services.

The AES Brasil Group contains two other companies in addition to AES Tietê: AES Uruguaiana, a generation company, and AES Ergos, an energy solutions integrator for distributors.

## AES ERGOS

With activities started in 2011, the company provides a vast portfolio of services to power distributors nationwide. Options include commercial services, such as specialized interfacing for stores and relationship channels, and technical services, such as execution of electrical system construction, modernization and maintenance work.

In addition to these options, AES Ergos also has a line of transactional services, offering smart service for data segmentation, providing tailored and customized support for actions such as announcements and power bill collections, while also creating interactive channels between distributors and customers.

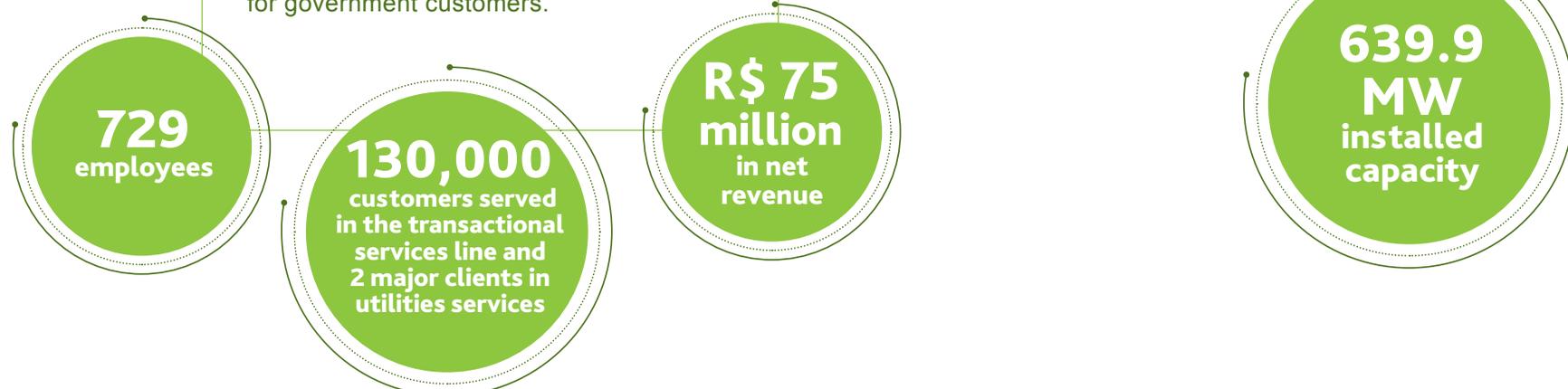
The company operates public lighting construction, operation and maintenance for government customers.

## AES URUGUAIANA

Opened in 2000, AES Uruguaiana is a generator of thermoelectric and natural gas energy located in Rio Grande do Sul, authorized to operate as an independent producer over a 30-year term.

It has an installed capacity of 639.9 MW and operations have been stopped since 2009, when the fuel supply was cut off due to a gas shortage in Argentina. Generation was restarted on an emergency basis, meeting the request of the Ministry of Mines and Energy, in 2013, 2014 and 2015, over temporary periods.

Although the AES Uruguaiana operation is paralyzed, it continually carries out equipment maintenance and conservation. The company uses the Integrated Management System guidelines covered by the ISO 14001 (Environment) and OHSAS 18001 (Occupational Health and Safety) standards, in line with the Sustainability Policy followed by all AES Brasil companies.



# Corporate governance

AES Tietê seeks to be recognized by its customers and shareholders as its main partner for sustainable and innovative energy solutions. In this way, transparency, ethics, integrity and corporate responsibility are fundamental to building and strengthening these relationships.

These principles are assured by our best corporate governance practices, which are continually reinforced in an effort to attain efficient business management and creation of value. To manage the company, we rely on support from structures and tools that are aimed at ensuring transparency, ethics and compliance with Brazilian and industry laws.

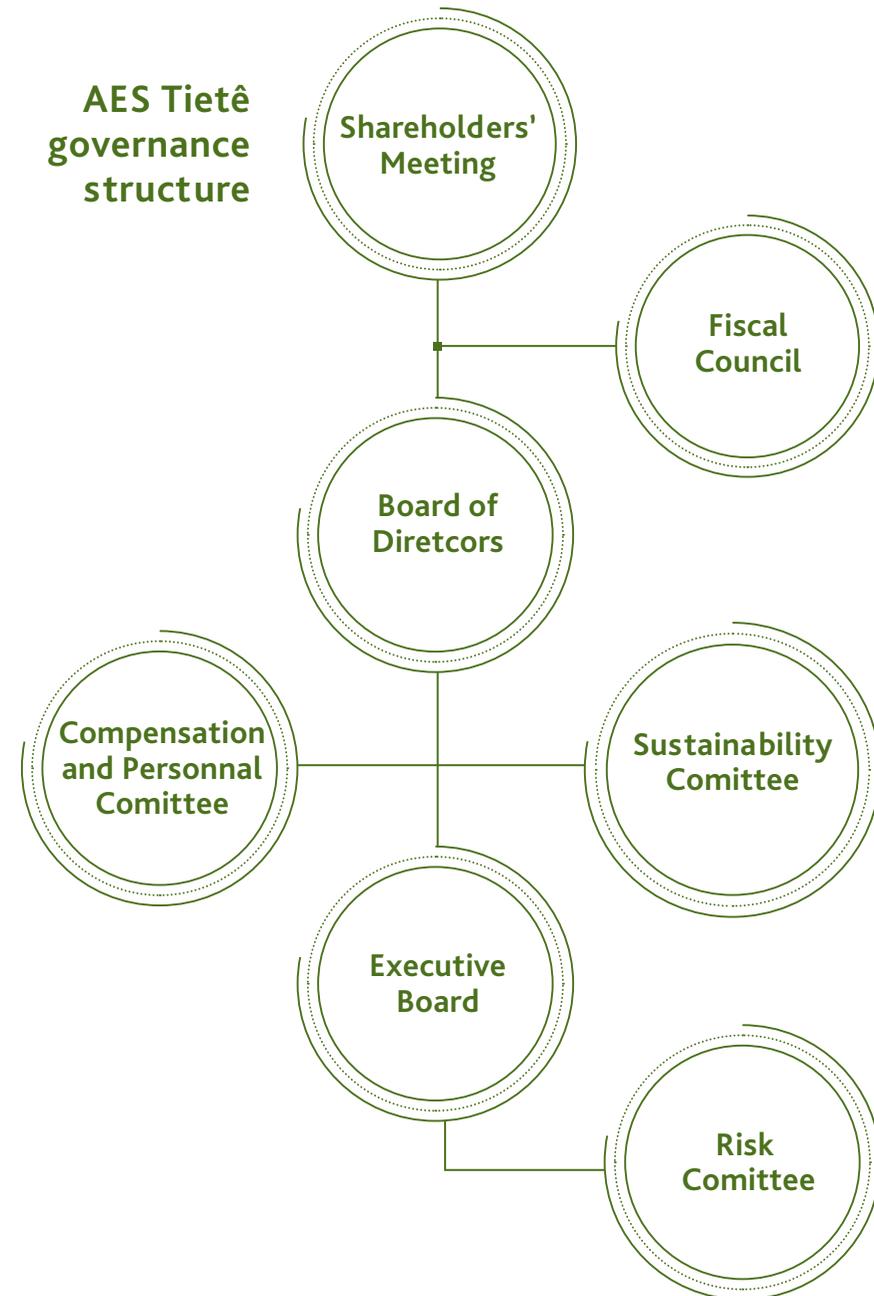
The units and shares of AES Tietê are traded in Level 2 of Corporate Governance of B3 SA. The units integrate the Brazil 100 Index, the Electric Energy Index and the Corporate Sustainability Index, demonstrating the company's commitment to the creation of a compatible investment environment with the demands of sustainable development of society and ethical responsibility of corporations. In addition, the company has American Depositary Receipts traded on Level 1 in the North American over-the-counter market.

Our Board of Directors is responsible for establishing planning and strategic guidelines for our businesses. This body is comprised of 11 members (two of which are independent members and one representative of the employees) and their respective alternates, elected at the Shareholders' Meeting to two-year terms. The Executive Board, made up of three directors chosen by the Board of Directors for a term of three years, is responsible for running the business according to the guidelines set forth by the Board of Directors.

In an effort to enhance governance and support decision-making by the Board of Directors, we have established a Compensation and Personnel Committee and updated the Sustainability Committee with new regiments and new members. Both bodies assist in the evaluation and compliance by the company of the best practices in the conduct of our business.

Our governance structure also counts with the Fiscal Council, installed upon shareholders' request. Composed of five members, the board represents the shareholders in the management oversight, and its main objective is to contribute to the better performance of the company. Its composition includes two members elected by minority shareholders.

## AES Tietê governance structure



## Ethical conduct

The conduction of our business is done according to the corporate values, expressed in the AES Values Guide that is applied to all AES companies worldwide. These are the values that guide our actions, supplying a standard way of interacting with various stakeholders, conducting business with our partners and suppliers, and interacting with our customers.

We reinforce our values and guidelines of ethical conduct in an integrated manner through the AES Brasil Ethics and Compliance Program. The Program's effectiveness is assured by the continuous interaction between the local teams and our indirect parent company AES Corp. through interviews and periodic meetings with employees from different areas, surveys that evaluate the perception of the company's professionals in relation to the initiatives developed and direct actions improvements in processes and procedures aimed at ensuring the strict observance of the best compliance practices.

In 2017, we did the latest review of the AES Values, which now include agility, reflecting the current context of transformation of the business environment and the company.

All complaints and questions received by the AES Helpline are analyzed, in confidence, by AES Tietê's team with AES Corp. and answered to the person who reported it. This process is verified annually by external audit contracted by AES Corp.

### ■ Education and training

Training carried out along with other qualification actions related to topics such as compliance and anticorruption practices. This covers employees at every hierarchical level. Every year, our professionals refresh their knowledge on the AES Values Guide through training done online or in the classroom. We also hold World Ethics Day every year, raising awareness among leaders regarding discussions and activities related to corporate values. Every six months, leaders cover these topics with their teams through the Ethics Multipliers initiative.

### ■ Contract compliance

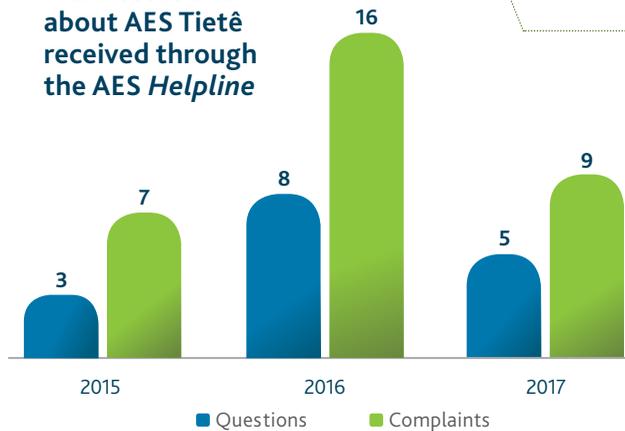
Investigative and due diligence policies and practices to assess partners, suppliers and new business, focused on identifying and mitigating compliance and reputational risks.

### ■ AES Helpline

A channel open 365 days a year, 24 hours a day, taking reports and questions from employees and external publics. It is available in Portuguese and six other languages, accepting communications by phone or **internet**.



**Manifestations about AES Tietê received through the AES Helpline**



## Sustainability management

Offering energy solutions based on clean and renewable resources means that sustainability has to be a premise for business growth. We are committed to incorporating sustainability principles and practices in our corporate culture and in managing operations, considering the balance between economic, social and environmental aspects in short-, medium- and long-term decision-making.

To support this commitment, we have a Sustainability Policy with guidelines on how we promote innovation, encourage the use of alternative and renewable energies, assure efficient operation of assets and reduce the risks associated with our activities. The Sustainability Policy was revised in 2017 and is available to anyone interested on our [Sustainability](#) website.

Within our corporate governance structure, the mission of the Sustainability Committee is to advise the Board of Directors on integrating sustainability into the management process. The body, whose regimen was restructured in 2016, proposes strategies and goals and also monitors execution of company initiatives, considering the positive and negative impacts from the social, economic and environmental aspects. Throughout the year, one of the major

fronts of action on the Committee was integrating the Sustainable Development Goals (SDGs) into strategic planning at AES Tietê (learn more on page 16).

In line with the main demands and global trends, in 2017 we set up the Climate Change Subcommittee, made up of a multidisciplinary team of AES Tietê employees. During the period, the Subcommittee was focused on creating a diagnosis of issues associated with climate changes and its implications for our business. It also developed a strategy to be implemented in order to identify potential risks and present necessary measures to assure the continuity of the company's growth.

## OUR COMMITMENTS

Adopting external commitments is part of how we strive to achieve sustainable growth, insofar as it allows society's demands for transition to a sustainable economy to be incorporated into our strategy, while at the same time facing these same challenges through our activities and relationships with stakeholders.



Since 1999, we have been recognized by Fundação Abrinq as a Child-Friendly Company, based on commitments undertaken to benefit children and adolescents.



We have been signatories to the Global Compact since 2006.



We exchange good practices with the market and keep pace with academia's most recent advances in corporate sustainability by engaging with the Corporate Initiatives of the Center of Sustainability Studies at FGV-EAESP (GVCes).

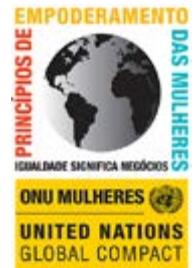


In 2008, we signed the Business Pact for Integrity and Against Corruption, a commitment also articulated with the United Nations and coordinated by Instituto Ethos.



Since 2016, we have promoted alignment of our business with Sustainable Development Goals (SDGs), established by the 2030 Agenda proposed by the UN. The 17 SDGs cover major goals for reducing inequality and promoting the development of nations.

In the last year, we undertook a commitment with the Women's Empowerment Principles, an initiative promoted by UN Women and the United Nations Global Compact. As signatories of the seven corporate principles aimed at empowering women in the workplace and in society, we reinforce our commitment to promoting gender equality and diversity.



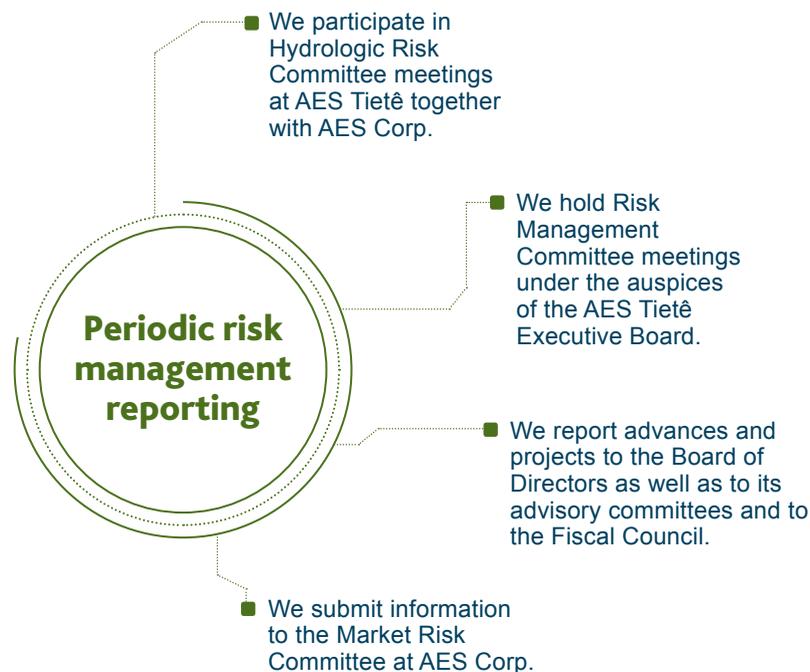
## Risk management

Identification, evaluation and monitoring of risks that could impact our business are done constantly and in a structured manner. In order to protect our ability to create value, our company follows the AES Brasil Risk Management Policy, available to all stakeholders on our [Investor Relations](#) website.

We assess risks considering internal and external sources of information and interviews with company executives and employees. Using a materiality scale, all risks identified are assessed in relation to their likelihood of occurring and possible impact on our capacity to generate value. They are then classified into five different levels – very low, low, medium, high and very high. Next, we develop action plans whose goal can be to eliminate, reduce, manage or transfer the likelihood of these risks occurring.

Each risk is continually monitored by one of our directors or managers (leader from the area managing the respective risk) and by managers of the causes (managers or coordinators) that could trigger their occurrence. To do this, we rely on key indicators that allow areas to manage these factors in a timely manner.

Governance of the risk management process is examined by Internal Auditing, which assesses compliance with the Risk Management Policy, as well as other standards and internal procedures. A specific Risk department is responsible for strategic risk management. The Internal Controls area, in turn, works to define control activities to guarantee compliance with guidelines geared towards mitigating risks.



## We revised our risk management in 2017 with the goal of enhancing the methodology for identifying and assessing risks

The process for identifying and assessing corporate risk, as well as measuring its possible impacts, was revised in 2017 with the goal of enhancing our governance on this topic. With the support of external consultants, we conducted a project that was split into two phases. In the first, we carried out a diagnosis of the level of maturity of the management structure and practices adopted. Next, we defined a new methodology for assessing high-priority risks and establishing mitigating measures.

During this review, we set up ten categories within which we categorized all mapped risks. We use quantitative criteria to classify the potential impact of risks, which are structured using six dimensions: financial, socio-environmental, safety, reputation, regulatory and operational. In addition, we have enhanced criteria to calculate the probability of risks occurring. We therefore more assertively and with more quality assure the analyses supporting decision-making by the Board of Directors and the Executive Board to mitigate and control risk.

## Risk categories monitored by AES Tietê



■ **COMPLIANCE RISK**  
 Represented by the possibility of not complying with guidelines, regulations and codes of conduct, among others, as well as not observing requirements applicable to new businesses, solutions and markets.



■ **TECHNOLOGY RISK**  
 Represented by loss resulting from system failures, including potential information leaks, making the IT infrastructure unavailable or fragile, and threats of fraud or cyber attacks.



■ **STRATEGY RISK**  
 Represented by the lack of ability or skill for the company to protect itself, adapt or forecast changes that could prevent it from achieving the corporate objectives established and strategies adopted.



■ **FINANCIAL RISK**  
 Represented by uncertainty in relation to revenue or costs due to unexpected changes in the internal and external environments. This includes the integrity and health of financial management vis-à-vis the business strategy and operational events.



■ **OPERATIONAL RISK**  
 Represented by a loss resulting from errors in conception, detailing, implementation, execution and oversight of projects, services and solutions, a potential rupture in the Business Continuity Plan and insufficient knowledge management.



■ **MARKET RISK**  
 Represented by the chance of losses resulting from fluctuations in market values, such as prices, interest rates, exchange rates and rates of inflation applicable to instruments held by the institution.



■ **LEGAL RISK**  
 Represented by the chance of losses as a result of adverse rulings in judicial or administrative processes.



■ **REGULATORY RISK**  
 Represented by the possibility of not complying with the obligations established in regulations (laws and resolutions).



■ **ENVIRONMENTAL RISK**  
 Represented by the chance of environmental damages due to human intervention in the environment.



■ **CREDIT RISK**  
 Risk of a counterparty causing a financial loss as a result of default on a contractual obligation.