

Sustainability Report 2019



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Message from the CEO

Climate change and its different levels of impact on global society, although not fully known, have become the major concern of humanity in the 21st century. Preventing the planet's average temperature from rising above 2 °C is a priority and requires unprecedented innovations so that we can completely replace fossil fuels and continue to serve the increasing demand for energy that we need. Our company, AES Tietê, completed 20 years of operations in the Brazilian electricity sector with the clarity that we are an important part of the solution to this challenge.

Issues related to climate risks, in 2019, entered the agenda of the main business forums in the world and gained important space in the financial and economic discussions and in risk management. The Business Roundtable, association that brings together executives from the largest companies in the United States, addressed the issue in a manifesto signed by 181 executives, including AES Corporation CEO Andres Gluski. The Global Risk Report, released at the 2020 edition of the Davos Forum, also highlighted the priority of the topic.

Our business is based entirely on the generation of energy from renewable sources and the growth of the portfolio directly implies in the reduction of greenhouse gas emissions. We are part of AES Corporation, one of the largest groups in the world in the energy sector and which trusts our company to expand investments in wind farms and solar complexes in Brazil. To achieve this growth, we work closely with customers to offer complete solutions that meet all their electricity needs safely, efficiently, reliably and sustainably.

Each year, we have materialized this strategy. In 2019, the closing of long-term partnerships with two large customers – Unipar Carbocloro and Anglo American – enabled the start of the project to build the Tucano Wind Complex, in the interior of Bahia. The new asset will add another 582 MW to our company's installed capacity and 55% of the energy is already contracted through these two partnerships.

The year was also marked by the entry into operation of the Ouroeste Solar Complex, which joined the Guaimbê Solar Complex, opened in 2018. The recent addition of these photovoltaic plants to AES Tietê's portfolio expands the diversification of sources and is important, together with the Alto Sertão II Wind Complex, to reduce the company's exposure to hydrological risk.

In addition to this factor, the new solar plants contributed to the positive result we achieved in 2019. Combining a cutting-edge commercial strategy with excellent asset management, we achieved a gross revenue of BRL 2.3 billion and a growth of 4.2% in net profit.

In 2019, we started the operations of the Ouroeste Solar Complex and enabled the start of the project to build the Tucano Wind Complex, relevant to the diversification of our renewable sources assets

Our strategy is focused on customer satisfaction and innovation to offer new energy products and solutions. Business growth meets the increasing demand of Brazilian companies for sustainability and efficiency gains in their production chains, which is confirmed by the consistent growth of the free market.

As sustainability is at the base of our business model, managing the economic, social and environmental impacts generated by our operations is essential. In this sense, in 2019, we revisited our policies, practices and processes related to this theme and structured the Sustainability Guidelines, which have six pillars and commitments for performance aligned with the Sustainable Development Goals (SDG) and the principles of the Global Compact. I emphasize the personal honor of having been chosen by Rede Brasil do Pacto Global to participate in the "Leadership with ImPact" initiative, as one of the spokespersons for SDG 7 – Affordable & Clean Energy.

Our 20-year history was written by the various professionals in our company. The intense digitalization of business has not diminished the importance of people in the course of operations and in the management of our assets. The new work tools only strengthen the capacity to innovate and seek disruptive solutions to complex problems that only the human being, the greatest creative force on the planet, has. For this reason, attention to the safety of people in our company is an absolute priority and our greatest value. We have highly effective protocols and procedures to mitigate risks and avoid accidents with employees, service providers and the community surrounding our operations, but only constant vigilance and the continuous reinforcement of our culture lead us to operate safely.

We started the year 2020 prepared to take advantage of the opportunities that will arise with the return of economic growth in the country. We are committed to participating in this development with the delivery of renewable and sustainable energy to Brazil.

Thank you all,

Ítalo Freitas
CEO of AES Tietê



**We are
AES Tietê**



20 years of energy innovation

Since the turn of the millennium, the world has changed – a lot. Back in the day, the Internet was still a new feature for companies and people, and no one imagined that smartphone apps would be as useful and versatile as today. Digitization and connectivity have created a universe of possibilities, and have brought more knowledge and information so that we can make better choices for our daily lives.

In the electricity sector, this paradigm shift has repositioned the center of decisions. The context of combating climate change and the search for more efficient and cleaner ways to produce and consume energy have driven companies' demand for innovative solutions, technology and traceability of their energy matrix.

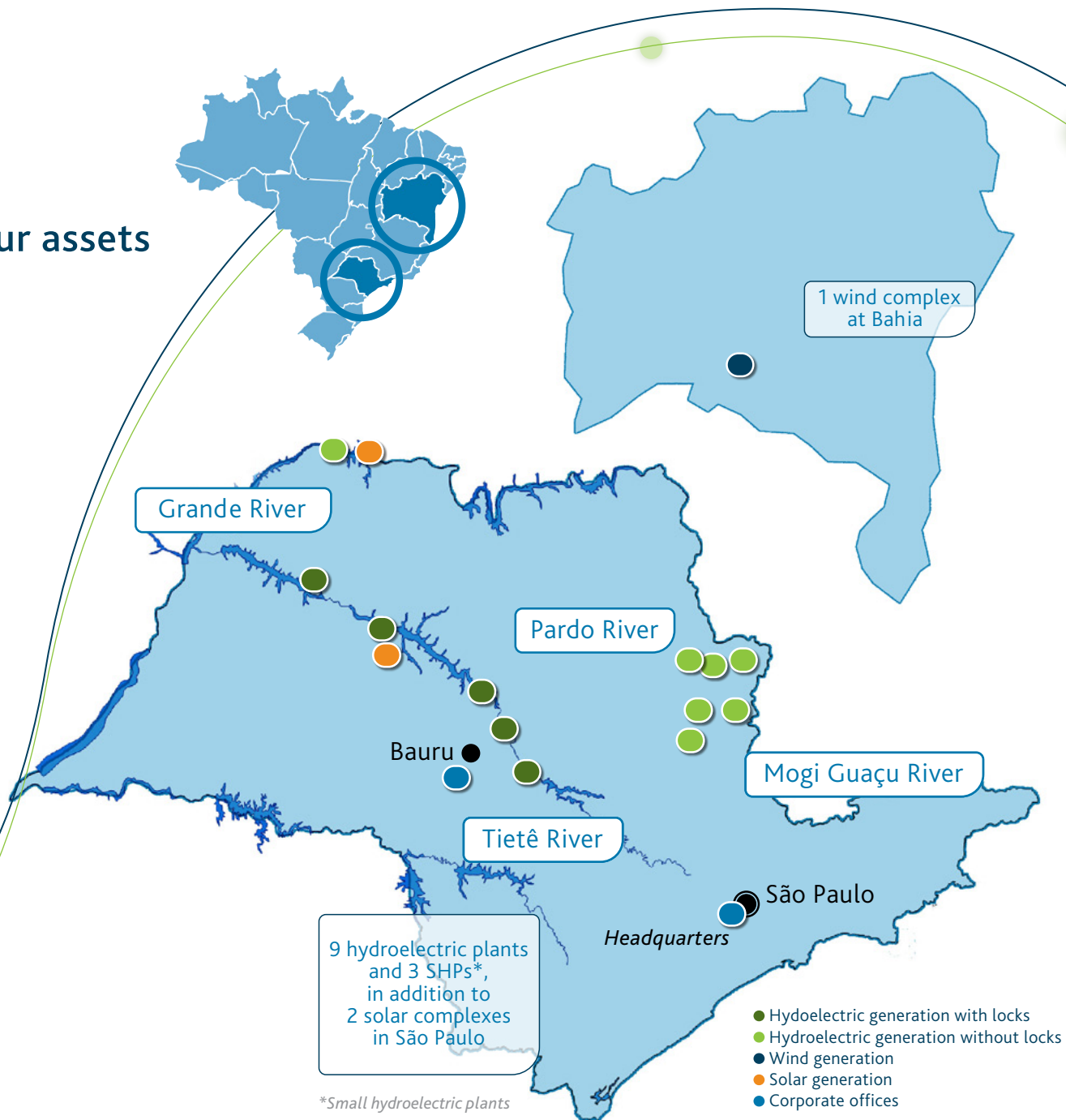
We, at AES Tietê, have followed this transformation and evolved our business model to be prepared for the new challenges of the 21st century. We have gone from being a hydroelectric power plant manager, born in 1999 from the acquisition of assets from the state government of São Paulo, to a partner of intelligent and innovative solutions – ensuring sustainability and competitiveness for our clients in their energy management.



With a portfolio exclusively focused in renewable sources, we invested in a generator park composed of hydroelectric, wind and solar power plants with 3,343 MW of total installed capacity. Excellence in our operations is guaranteed by the use of cutting-edge technologies in our Power Generation Operations Center (COGE), which remotely controls all units.

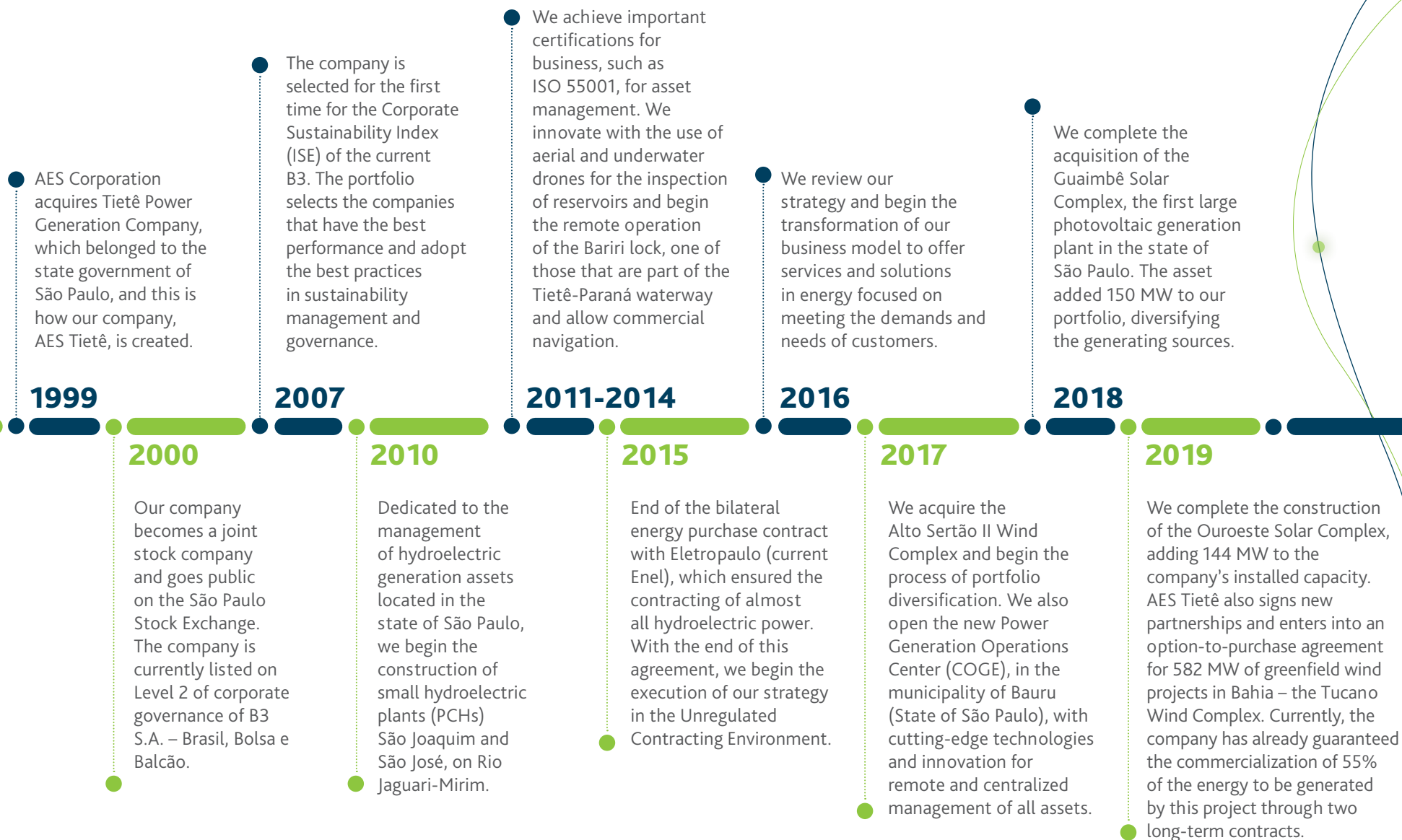
In a complementary way, in recent years we have developed a set of customized solutions for our clients, with intelligence and innovation so that our performance drives increasingly sustainable business in all sectors we serve. This portfolio of value offering to the market ranges from open market services and renewable energy traceability certificates to energy management and efficiency projects, battery storage and distributed generation.

Our assets



*Small hydroelectric plants

Our trajectory



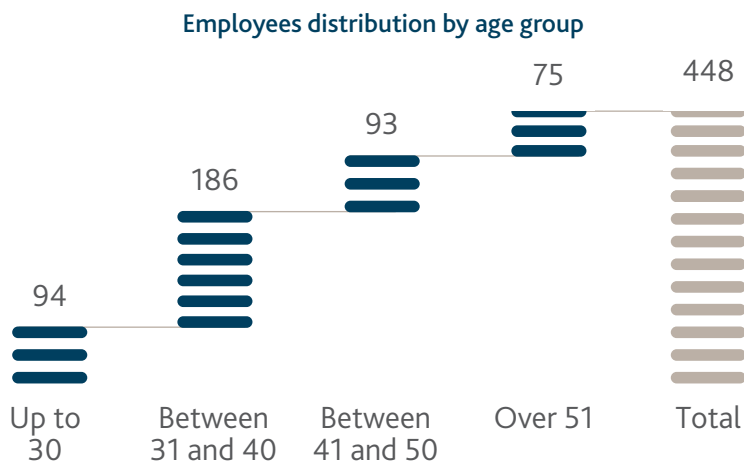
History made by people

The achievements we have made in AES Tietê's 20-year history are the result of our employees' dedication and capacity for accomplishment. We are a team of 448 people who work to build and solidify a new culture and a new way of commercializing energy, putting our client at the center of the decisions we make and the processes we execute.

CLIC is the name of the program to disseminate our corporate culture formed by three pillars – Clients, Innovation and Collaboration. Our business model is geared to generate value and satisfy our customers. To do so, we work with collaborative and multidisciplinary processes, to be more agile and

efficient. We are always looking for innovations that make a difference in business and in the lives of those we serve.

To this end, we created an area focused on management and processes, responsible for the continuous improvement and the PMO (Project Management Office). This structure provides support and acts as a facilitator in the intermediation of actions and projects, focused on the main objectives of the corporate strategy, as well as the methodology and governance of projects.



Squads: a new way of facing challenges

Customer focus is a pillar of our culture that has driven the structuring of a new working model among our teams in 2019. We started to adopt the squads model to develop customized solutions, with agility and quality.

In this model, we bring together professionals with different specialties and skills, for a brief period, in a working group whose mission is to model a new approach to complex challenges related to the supply and management of energy for our clients. Two such projects were conducted in 2019 and resulted in more attractive and customized proposals.

Leadership development

The “Leadership Diagnosis” project was another action carried out in 2019 that strengthens the pillars of CLIC in our culture. For one year, we conducted a quantitative and qualitative survey involving managers of all functional levels and thus identified what competencies future leaders should have to direct our company towards strategic objectives. We also evaluated the results of climate surveys conducted with our employees, suggestions from governance committees, benchmarking and trend analysis for the energy sector.

From this deep analysis, we structured the Leadership Development Trail. The program addresses specific themes for each leadership level (coordinators, managers and directors) and outlines paths for the professional and personal improvement of leaders, placing them in the role of inducers for the development of their teams.

The Trail is composed of practical, social and formal learning and each of these stages has courses and training plans in e-learning formats and face-to-face meetings. The tool integrates AES University, which concentrates the training programs of our employees focused on the technical and professional development of the entire team.



Average hours of training per employee

	2019	2018	2017
By gender			
Men	46.93	38.39	47.25
Women	15.35	10.73	8.17
By functional level			
Executive Board	7.64	0.64	0.27
Management	25.50	14.15	21.20
Coordination	22.66	21.03	26.00
Administrative	23.22	14.37	46.13
Operational	65.74	55.85	38.13
CONSOLIDATED	39.24	31.93	39.03

The leaders are expected to complete the Development Trail in a maximum period of eight months, starting in 2020. At the end of this cycle, our business model is expected to be strengthened with leaders capable of directing their teams' efforts towards achieving strategic objectives.

In the last year, due to this greater investment in leadership training, the average number of hours of training for our directors and managers doubled compared to 2018. In general terms, the training actions for our employees grew by 22.9% on the same basis of comparison, reflecting the increase in the training of professionals hired in 2018 and who began their professional development cycle.

Our annual employee performance evaluation cycle is divided into three blocks. This platform allows to monitor the deliveries made and the achievement of individual goals established in the first phase, when the Management Contract is built – a tool we use to align the performance of the leaders with the company's strategic objectives.

In addition to the leaders, all other employees participate in the Program, with the exception of apprentices, professionals hired for less than three months and those who, due to leave (medical leave), were unable to work for at least three consecutive months in the last year.

Blocks of the annual performance evaluation cycle



HIRING GOALS

Occurs at the beginning of the year. The individual goals are contracted and formalized in the Management Contract.



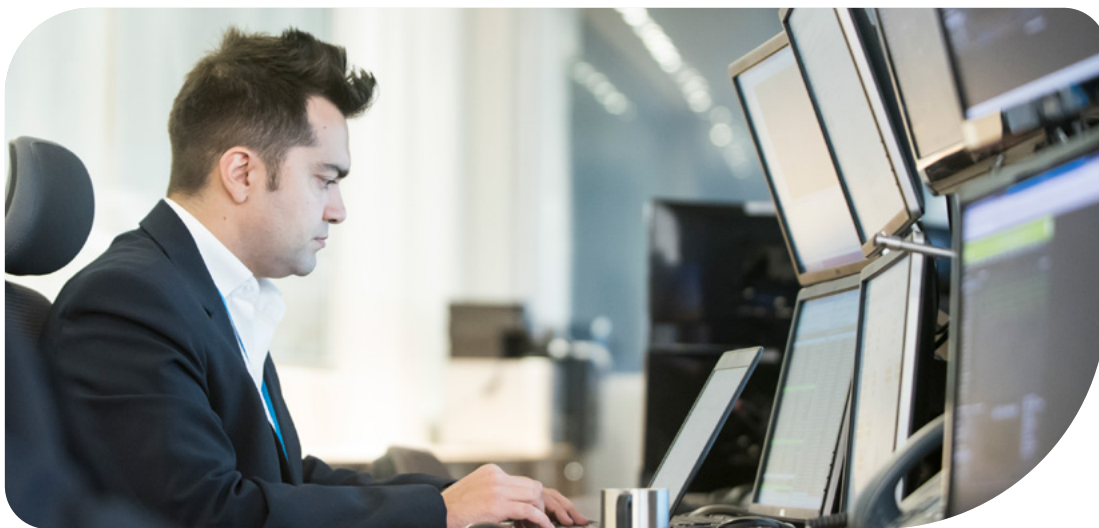
360° EVALUATION

the process has a developmental focus and occurs at the end of the first semester of each year



PERFORMANCE EVALUATION

occurs at the end of the year and closes the cycle with the equalization committees and feedback



Employees evaluated by the 2019 Performance Management Program

By gender

Men	94.10%
Women	88.07%

By functional level

Executive Board	100.00%
Management	91.67%
Coordination	93.75%
Administrative	89.47%
Operational	95.93%

CONSOLIDATED	92.63%
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2019 in numbers



BRL 2.3 billion
in gross operating
revenue

4.2% growth in net
income

BRL 342.8 million
of investments in
modernization,
maintenance and
expansion



448
employees

1,165
third party service
providers



9 hydroelectric
power plants

3 small
hydroelectric
plants



12,542.5 GWh
of net energy
production

3,343 MW
of installed
capacity



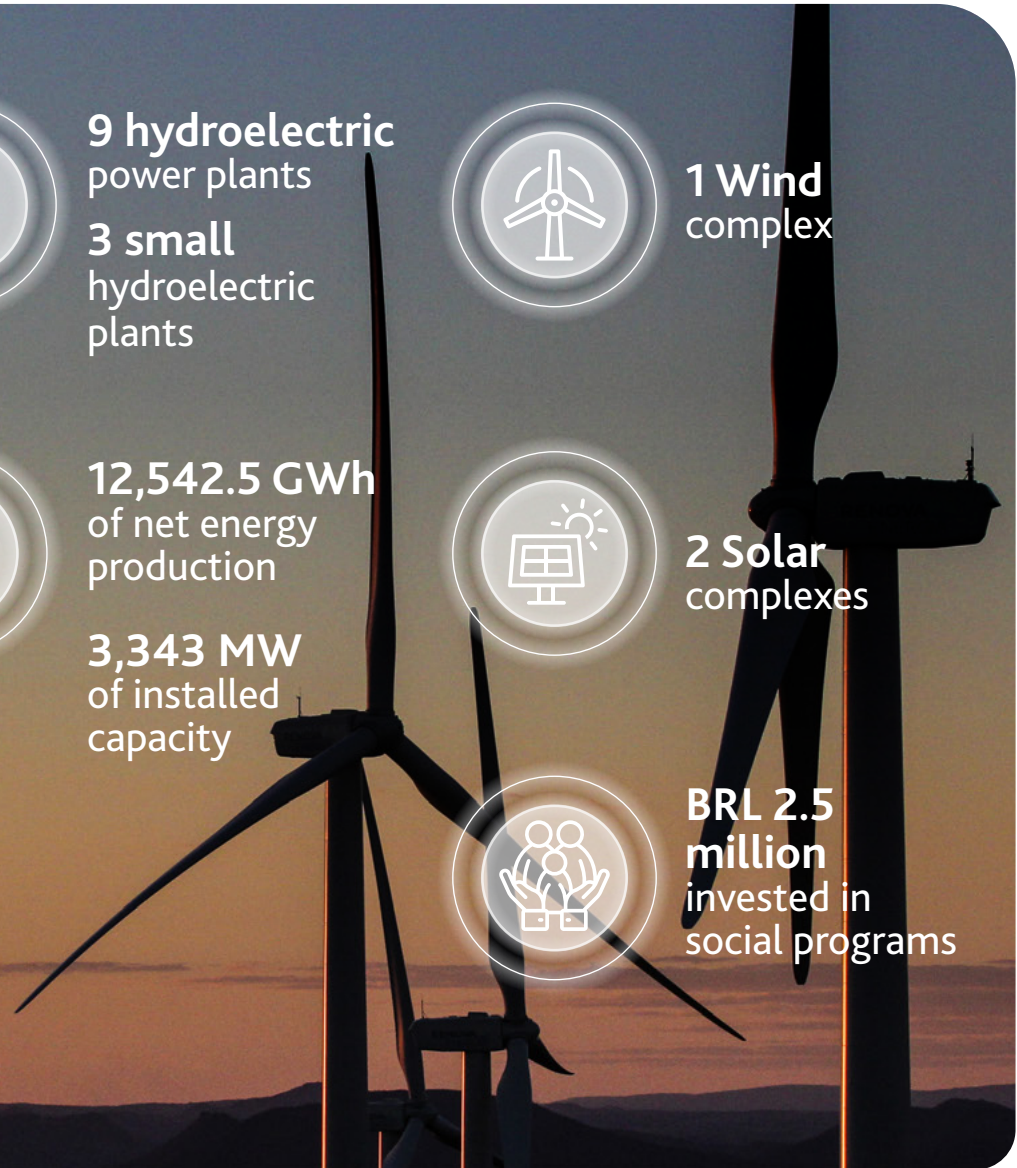
1 Wind
complex



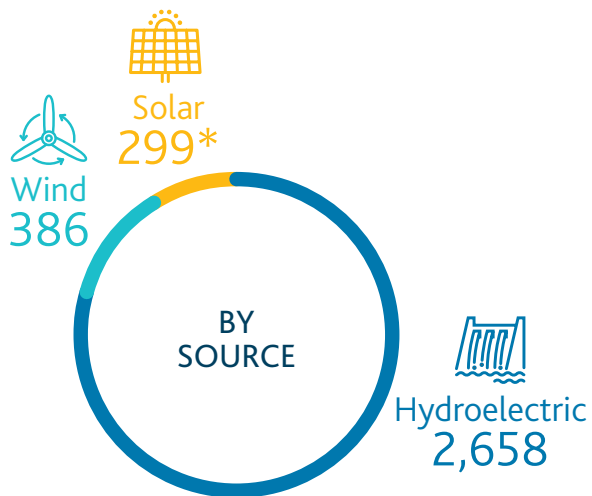
2 Solar
complexes



BRL 2.5 million
invested in
social programs

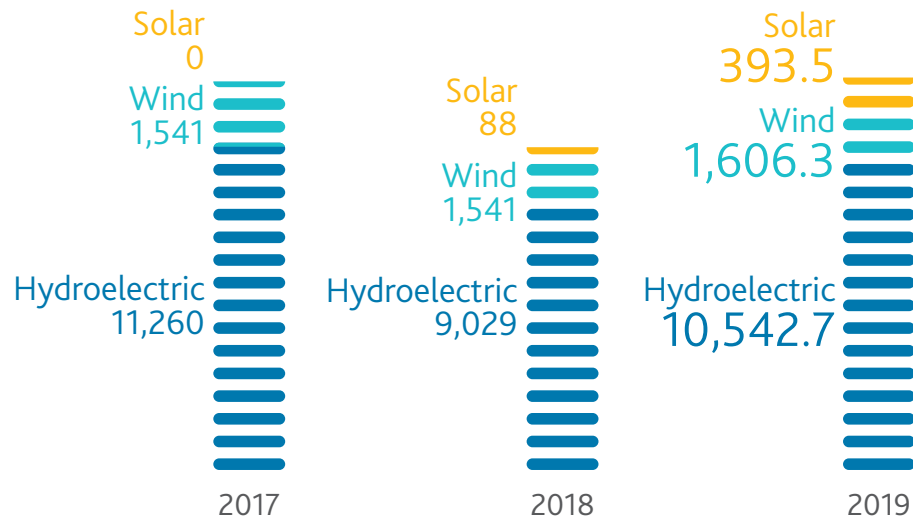


Total installed capacity in 2019 (MW)



*Includes 5MW of distributed generation (DG)

Net energy production by source (GWh)



Regulated market
605



*Includes 5MW of distributed generation (DG)



Awards and recognitions

Our company was selected to be part of the 2020 portfolio of the Corporate Sustainability Index (ISE) in 2020

We were elected as one of the "150 Best Companies to Work For", and included in the Great Place to Work ranking

We won for the fifth consecutive year the Transparency Trophy granted by the National Association of Finance, Administration and Accounting Executives (Anefac)

We occupied the 325th position in the "Valor 1000" ranking

We were included in EXAME Best and Biggest and EXAME Sustainability Guide

We were recognized by investors and market analysts in the Latin America Executive Team survey, promoted by the Institutional Investor portal

We were recognized by the National Asset Management Award, granted by EGAESE, in the categories:

- 1st place in the Strategic Management category: Incorporation of new solutions in the management of the operation of physical assets
- 1st place in the Technology and Innovation category: Use of statistical tools and drones to improve the performance of the solar plant
- 2nd place in Regulatory Impacts category: Civil Asset Management as Support to Regulatory Processes for Dam Safety
- 2nd place in the Strategic Management category: Budget Planning – Use of Risk, Performance and Cost Parameters for Project Composition and Prioritization for Budget Cycles
- 2nd place in the Technology and Innovation category: Use of ROV technology in the management of critical assets of Hydroelectric Plants
- 3rd place in the asset life cycle analysis category: Support and diagnosis center – Technological tools for diagnosis and support for remote operation and maintenance



Governance and strategy



Governance and strategy

We have a corporate governance structure that relies on internal and market policies and regulations to guide strategic investment decisions, business growth and value creation for all stakeholders interacting with our company.

The good governance practices that we voluntarily adopt ensure transparency in the relationship with all Brazilian and foreign shareholders and investors. The decision-making processes follow objective criteria and seek to direct our company towards sustainable growth, observing the demands of customers and society for respect for ethics, human rights, the fight against corruption and the search for a cleaner and renewable energy matrix.

The recognition of our commitment to responsible business management is evidenced by AES Tietê's presence, since 2007, in the B3 Corporate Sustainability Index (ISE), which brings together companies with best practices in corporate sustainability. We are also present in the Electricity Index (IEE) and the Dividend Index (IDIV), which cover, respectively, the most representative

companies in the energy sector and which stand out in the return and remuneration to investors.

Our parent company, AES Corporation, plays a relevant role as an inducer of the investment strategy and capital allocation in renewable energy assets in Brazil. The company, one of the largest in the world in the energy sector and present in 14 countries in the segments of energy generation, distribution and storage, contributes to the evolution of our business through its experience in the sector and the long-term vision for achieving results. With 28.41% of our social capital, BNDESPar, a subsidiary of the National Bank for Economic and Social Development (BNDES) is another important shareholder of the company.

With regard to corporate governance bodies, the highest level of decision-making power lies with the shareholders, organized in General Assemblies, in which the members of the Board of Directors and the Fiscal Council are elected. Among other duties, the General Assemblies also approve the financial statements and proposals for social capital increase.

We are a publicly traded company listed on B3 S.A., the São Paulo Stock Exchange. The Company's units are traded on B3 S.A.'s Corporate Governance Level 2 under the T1ET11 code, with each unit consisting of 4 preferred shares and 1 common share issued by the Company. In addition, the Company also has American Depositary Receipts (ADRs) traded on the North American over-the-counter market (AESTY) at parity between the ADRs and the Company's shares at the rate of one ADR to one unit.



To learn more
see our corporate organization chart on the
Investor Relations website.

Board of Directors

The Board of Directors is composed of members appointed by our parent company and minority shareholders, in addition to a representative elected by the company's employees. The body, composed of 11 effective members, is responsible for defining the strategic guidelines that impact our business and for evaluating the economic, social and environmental results that we obtain through our activities.

The Board of Directors is supported by two advisory committees, made up of members who are specialists in the topics of interest. The Compensation and People Committee goes deeper into the evaluation of aspects related to the directors' succession plan and compensation model, short and long term incentives for managers, among other aspects relevant to the management of our human capital.

The Sustainability Committee, formed by ten members, is led by the company's CEO. Its goal is to support the Board of Directors in integrating sustainability into management and governance processes, proposing the strategy of action and the goals to be achieved, in addition to monitoring the execution of initiatives to generate value and monitor the positive and negative impacts on the economic, social and environmental dimensions.

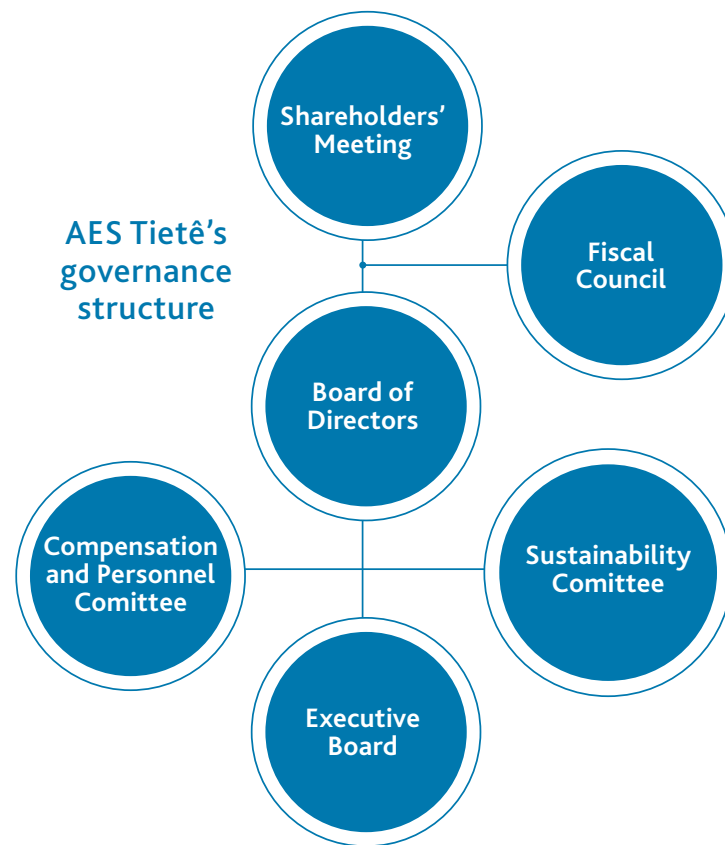
Fiscal Council

The Shareholders' Agreement of our company determines that, each fiscal year, the parent company requests the installation of the Fiscal Council. The operation of the body is governed by the Bylaws and the legislation in force, and its actions are directed towards the inspection of the administrative management of the company.

Composed by five members, the Fiscal Council also reinforces, by monitoring the activities performed by our Internal Audit team, our company's commitment to subsidize AES Corporation with all the information required to comply with the North American Sarbanes-Oxley Act (SOX), which requires the installation of high standard corporate audit and security structures and mechanisms.

Executive Board

Composed by two statutory directors, including the CEO of AES Tietê, the Executive Board is responsible for conducting business in accordance with the strategic guidelines established by the Board of Directors.



To learn more
Click here and learn more about the attributions and composition of governance bodies on the Investor Relations website.



Risk management model

To ensure our company's ability to generate value to our stakeholders over the long term, the Executive Board has the role of implementing and monitoring a risk management model that aims to identify potentially negative aspects and protect our business through structured action plans. This methodology follows the guidelines of the Risk Management Policy, approved by the Board of Directors and prepared based on the best practices adopted by the market (COSO ERM model).

This management is supported by the risk management office, which advises the Executive Board and monitors the application of tools for identification, evaluation and prioritization of corporate risks. It also prepares the communication of the results and action plans to the Fiscal Council.

Our methodology allows risks to be mapped and classified into ten different types of categories. The corporate risk management and internal control areas assist our teams in prioritizing these risks according to the probability and impact of the materialization of these occurrences, allowing the preparation of action and mitigation plans for the most significant ones.

One of the outstanding features of our business model is related to the evolution towards cyber risk management, an externality correlated to the greater digitalization and virtualization of our operations. To mitigate this aspect, we participate in the Cyber Ninja Program, developed by AES Corporation and covering several initiatives for protection of cyber-attacks, contingency verification and protection of internal and customer data.



To learn more
Click here and see items 4 and 5 of our Reference Form for more information about the company's risks and its management.

Risk categories



Our strategy

In order to adapt and respond to the changes in the energy sector and in the customer profile, with greater power of choice from the opportunities and possibilities of growth in the free market, and to seek growth and development of businesses with sustainability and long-term value generation, our company strategy is revised every year.

In 2019, this review allowed the alignment of our strategic planning with the projected trends for different future scenarios, considering the growth in demand for renewable energy and the evolution of this market in Brazil.

With this, the strategic pillars that define the way we generate value have become:



Mission

Promote well-being and development through a safe, sustainable and reliable provision of energy solutions

Vision

Be acknowledged by our customers and shareholders as their main partner for innovative energy solutions in a sustainable, reliable and affordable way

Values

- Safety first
- Integrity
- Honoring commitments
- Strive for excellence
- Professional fulfillment

Growth and diversification

The Ten-Year Energy Expansion Plan prepared by the Energy Research Company (EPE), estimates that the country's electricity consumption will grow 31% above the economy by 2029. To meet this demand, renewable sources (wind, solar, biomass and PCHs) will account for 33% of the national energy matrix – up from 22% in 2019.

The expansion and diversification of our generator park meets this scenario, by expanding the presence of wind and solar power plants in the country. Our growth strategy has two routes – acquisitions of operational assets (M&A) and development of new projects (greenfield).

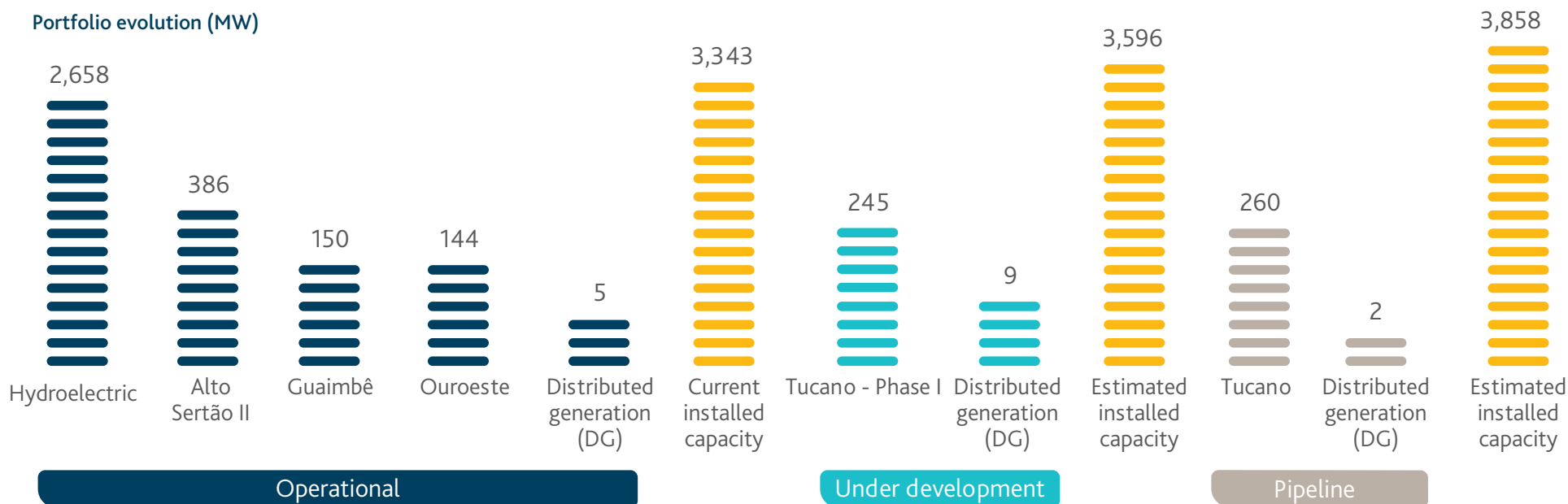
In the search for new assets, we evaluate different aspects of attractiveness and optimization of our capital structure. One of these is the possibility of aggregating complementary sources of generation to our portfolio, which present attractive returns, with long-term contracts to reduce risks and increase revenue predictability. We also analyze the possibilities of operational synergies with our platform, including considering the operations of our parent company (AES Corporation).

Growth also comes through innovation and implementation of new technologies. We work on structuring an integrated business platform of innovative energy products and solutions, working

from end to end, with prompt delivery and tailored solutions to bring our customers a flexible offer focused on their needs.

This growth strategy is materialized in the formation of long-term partnerships with customers, who now have a more sustainable and competitive energy supply for the development of their business. The renewable energy driven by this investment decision adds environmental benefits, reduces the carbon footprint and promotes positive socioeconomic impacts on communities in territories in the interior of the country.

Portfolio evolution (MW)

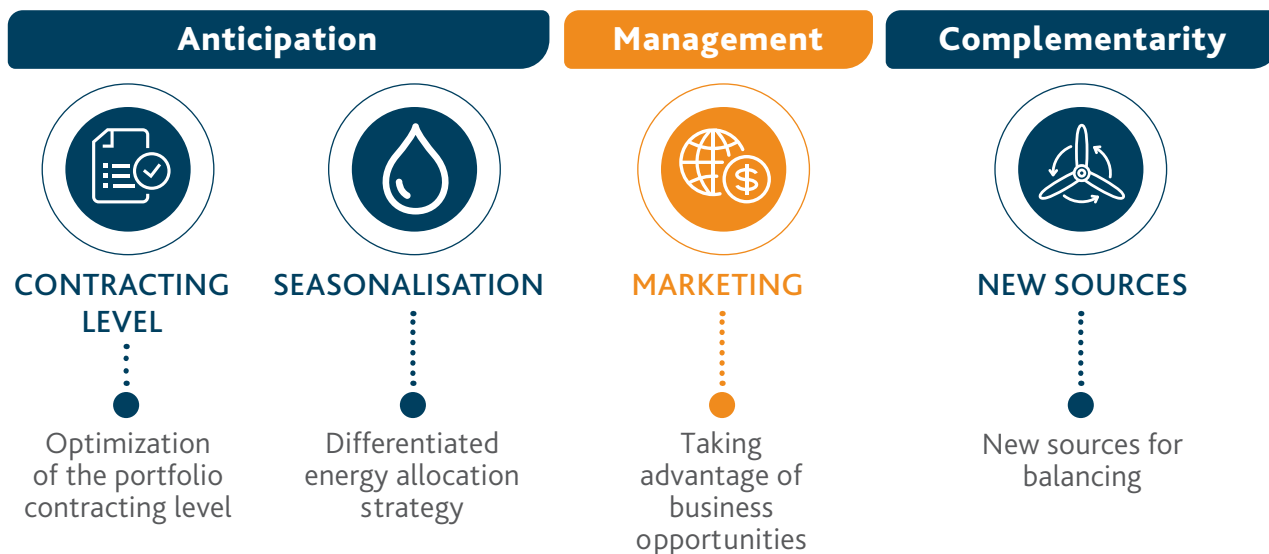


Commercial excellence

Our marketing strategy aims to optimize the commercial margin of the company's integrated portfolio in order to mitigate the effects of water risk on our results. Through the joint work of our commercial and market intelligence teams, we have adopted several measures to reduce the volatility of our commercial margins and ensure a more efficient and intelligent energy allocation.

The diversification favors the balancing of our portfolio, driven by the complementarity of the generation profile of our plants. By investing in sector intelligence studies, we anticipate short-term price trends and take advantage of market opportunities.

With a close relationship with clients and agility in implementing the strategy, we work to develop innovative and customized solutions that meet all their demands. Our teams work to seek new and promising business opportunities, adding value to a diversified portfolio, with over 200 contracts served.



Operational excellence

The efficient operation of our assets supports the growth of our business through continuous improvement in cost management, allocation of capital structure and ensuring availability for renewable energy generation. With the use of cutting-edge technology and consolidated processes, we prioritize the safety of activities and gain agility to incorporate and capture synergies from new M&A and greenfield projects.

In this sense, the COGE centralizes the remote operation of our generator park and provides efficiency gains. Its systems platform already operates

hydroelectric, solar and wind power plants, enabling the entry of new assets with agility and safety to serve customers.

We also have the Shared Services Center (SSC), responsible for centralizing the company's various transactional activities – such as invoicing, accounting, human resources management and purchases of peripheral inputs. Thus, we have been keeping operating expenses stable, even with the addition of new capacities to our portfolio.

Relationship with suppliers

Building solid, long-term partnerships with suppliers drives the development of our business, the excellence in asset management and the prioritization of safety in all operations. To conduct this relationship with ethics and transparency, we use the Supplier Performance Index (IDF) – a tool that allows us to monitor the deliveries and performance of companies contracted for critical activities in our business model.

We updated the IDF's evaluation mechanisms to keep up with the company's new demands in view of the strategy of growth and diversification of the asset portfolio. In 2019, we created a new specific questionnaire for companies providing construction and maintenance services (the most relevant types of contracting in our operations), emphasizing technical and safety aspects of these activities. We also improved the procedures for inserting evaluations into the database, making this internal process more agile.

Another evolution was the implementation of a new portal for registration, analysis and storage of documentation and approval of suppliers. The new platform, which replaced the old system, made it possible to include socio-environmental issues in the companies' pre-registration questionnaire.

Last year, we involved about 1,600 suppliers in our business chain. The number of contractors remained stable compared to 2018, when there was a growth in the partner base to match the expansion of wind and solar energy businesses.



Sustainability Guidelines

Sustainable development requires each of us to align ourselves more profoundly with the desires of society and with the great social, economic and environmental challenges ahead of us. The current context in society shows us the need for decarbonization with a change in the companies' business models. We also see greater empowerment of customers in decisions to purchase energy and an increasing trend towards digitalization of processes.

New global commitments have emerged in recent years to meet this changing landscape. Our parent company AES Corporation is committed to reducing its coal-fired power plants in other countries and became a signatory in 2018 to the Task Force on Climate-Related Financial Disclosures (TCFD), a global initiative to improve corporate governance, management and transparency about the risks and opportunities associated with climate change.

In this background, we revised our sustainability commitments in 2019 through a broad process of internal assessment and listening to our customers and suppliers, as well as government representatives. We analyzed studies, scenarios and sector benchmarks, the Sustainable Development Goals (SDGs) proposed by the United Nations (UN), among others. In addition, we consulted with our stakeholders to identify which challenges and demands are a priority in their relationship with AES Tietê and which SDG, in their view, may have positive or negative influence. Finally, we engage our leaders in a workshop to re-signify the sustainability vision in our business and define a clear positioning, with strategic focus, commitments and goals.



The six pillars of the Sustainability Guidelines are aligned with the SDGs and other voluntary commitments we endorse

7 AFFORDABLE AND CLEAN ENERGY



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



13 CLIMATE ACTION



15 LIFE ON LAND



The result of this work was the definition of our Sustainability Guidelines, which represent the evolution of the strategy adopted in 2012 and reformulated in 2015. There are six pillars and commitments (see diagram on page 25), aligned with five priority SDG. For each of them, we have defined specific goals, looking ahead to 2023. The broad dissemination of the guidelines was initiated in 2019 and guided the content and structure of this report. Each guideline is equivalent to a material topic, the limits of which are shown in the diagram on the next page. In the following chapters, learn a little more about how we are moving forward and intend to evolve further on each of these fronts.

The Sustainability Guidelines also reinforce our alignment with other voluntary initiatives. Since 2006, we have been signatories of the Global Compact and have made progress in implementing and communicating actions to promote the 10 Principles for the defense of human rights, labor rights and environmental protection and to combat corruption in our activities. We also formally adhere, as of 2017, to the Principles of Women's Empowerment promoted by UN Women and the Global Compact. In addition, since 1999 we have been recognized as a Child Friendly Company by the Abrinq Foundation, due to the commitments made institutionally in defense of the rights of children and adolescents.

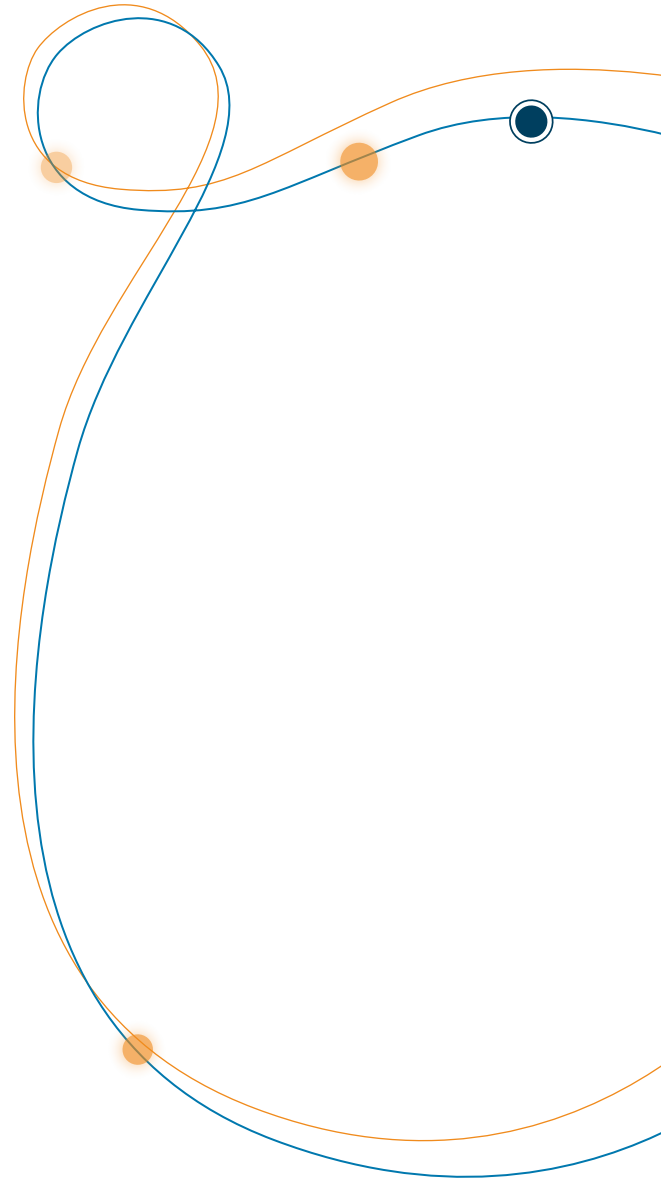
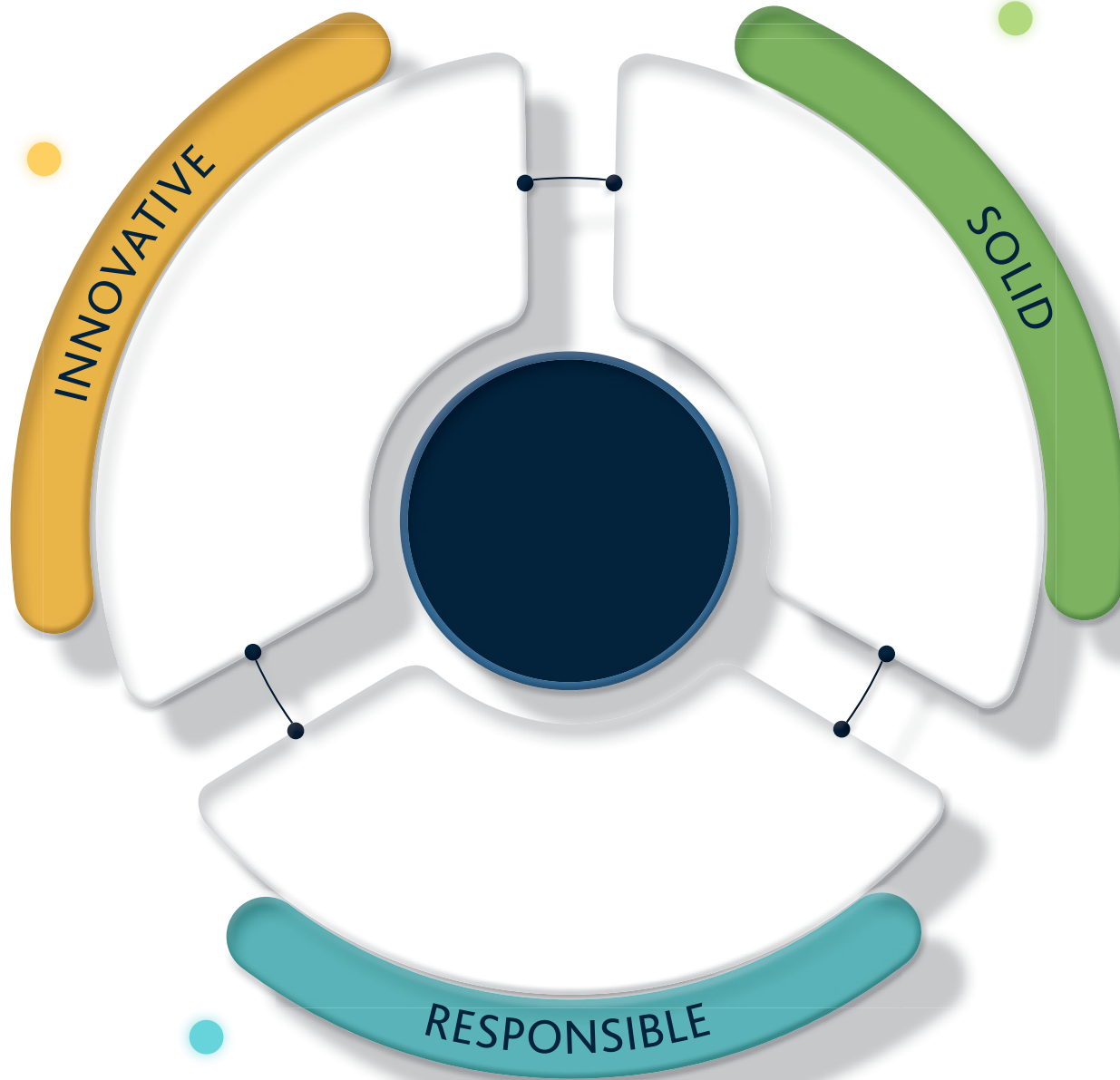


Serving society

The CEO of AES Corporation was one of the 181 leaders to sign the Declaration on the Purpose of a Corporation published by Business Roundtable. The manifesto, released in August 2019, formalizes the commitment of its signatories to promote businesses that benefit all stakeholders and society as a whole. The publication of this commitment marked a radical change in the economic vision of the association, created in 1972. The initiative brings together companies with an annual turnover of US\$ 7 trillion and over 15 million employees.

Sustainability Guidelines

Click on each of the pillars and learn more about our goals.

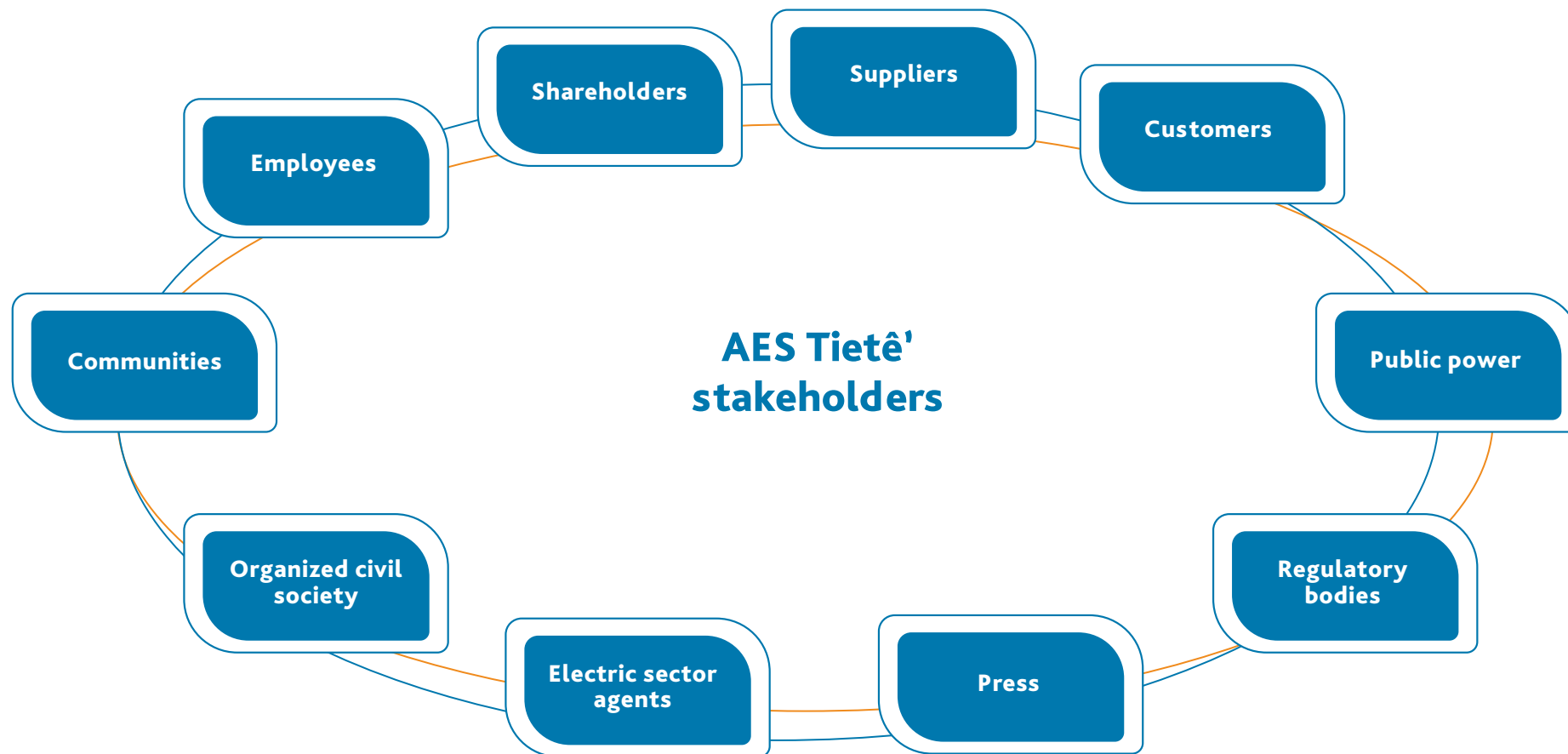


To learn more
Click here and access the full AES Tietê Sustainability Guidelines.



Stakeholders engagement

The continuous engagement of our stakeholders is carried out by the company's areas through meetings, e-mails and telephone contacts. In addition, we periodically conduct surveys to assess the level of satisfaction with strategic audiences, such as customers and employees, and to identify their main demands.



Business model



Business model

One of the most important resources of the 21st century, the electricity is at the center of the global debate on ways to promote decarbonization. Since 2015, when countries committed to meeting targets to reduce CO₂ emissions and prevent the planet's average temperature from rising more than 2 °C, governments, businesses and citizens are committed to finding ways to ensure the energy supply they need with a smaller environmental footprint.

The purpose of our company is within this climate context. The value we generate for our customers goes beyond offering energy at more attractive costs to their business. As an integrated energy platform, we deliver solutions that add sustainability to the entire value chain, expanding renewable sources in the energy matrix and improving energy management for more efficient consumption.

We put at the service of our clients a cutting-edge corporate structure, with qualified professionals, technology and innovation projects. Our goal is to understand the needs of each company we work with, to present the various solutions in our portfolio and to support everyone in making the best choices – from an economic, social and environmental perspective – for their business.



Business model



13 CLIMATE ACTION

11 SUSTAINABLE CITIES AND COMMUNITIES

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

7 AFFORDABLE AND CLEAN ENERGY

15 LIFE ON LAND

Sector context

The Unregulated Contracting Environment, also called the free market, is the company's main vector for growth and modernization of the electric power sector in Brazil. In this modality, customers with a load equal to or greater than 2 MW can purchase energy through bilateral contracts with freely negotiated price and term conditions. These consumers pay the distributor only the network maintenance fee, not the cost of energy – as in the Regulated Contracting Environment.

Since 2019, the minimum threshold for entry into the free market has been reduced, allowing more customers the freedom of choice to decide how best to meet their energy demands. In recent years, the national congress has discussed the modernization of the electricity sector through bills in the Senate (PLS 232/2016) and the House of Representatives (PL 1.917/2015), which includes expanding and making more flexible the access to the free market for all customers. The Executive Branch has also acted to expand the opening of the market and regulated a further reduction of this limit. There are already forecasts of adequacy for January 1, 2021 (1.5 MW), January 1, 2022 (1 MW) and January 1, 2023 (0.5 MW).

Currently, consumers such as industries and small businesses – with a total load below 2 MW and over 0.5 MW – have the option to access the free market in the “special customers” category. In this case, the energy supply is served by plants from renewable sources (wind, solar, biomass and PCHs). It is worth noting that more and more customers have sought to ensure more environmentally sustainable consumption.



The energy self-production model is another potential arrangement that has given consumers greater freedom and made it possible to add more sustainability to the production chain of companies in various sectors. In this format, the generation can occur in the same place of consumption or in different places, an option that makes possible the installation of large wind and solar plants.

The biggest challenge for customers who opt for the self-production system is the management of these assets, which must belong to the self-producing company. Operation and maintenance, construction planning and the relationship with regulatory agencies are activities that require specific knowledge of the regulation and operation of the sector.

The formation of strategic partnerships with our customers enables renewable sources with variable production, such as wind power, to be used efficiently and productively. The know-how of our professionals allows us to find the best technical and financial solutions for the complete viability of projects of this magnitude.

Besides the free market, there are other propositions in the modernization of the electrical sector that can benefit our customers, with our partnership. The hourly pricing is one of the topics that has the potential to improve their position, by performing an efficient management of energy consumption.

Guarantee of origin

We were the first company in Brazil certified to issue RECs (Renewable Energy Certificate), through the Água Vermelha hydroelectric and one of our wind power plants. Each REC is equivalent to 1 MWh of energy and proves that the energy purchased through bilateral contracts comes from a clean and renewable source, allowing our customers to measure the positive environmental impact on their business chains.



Energy transition

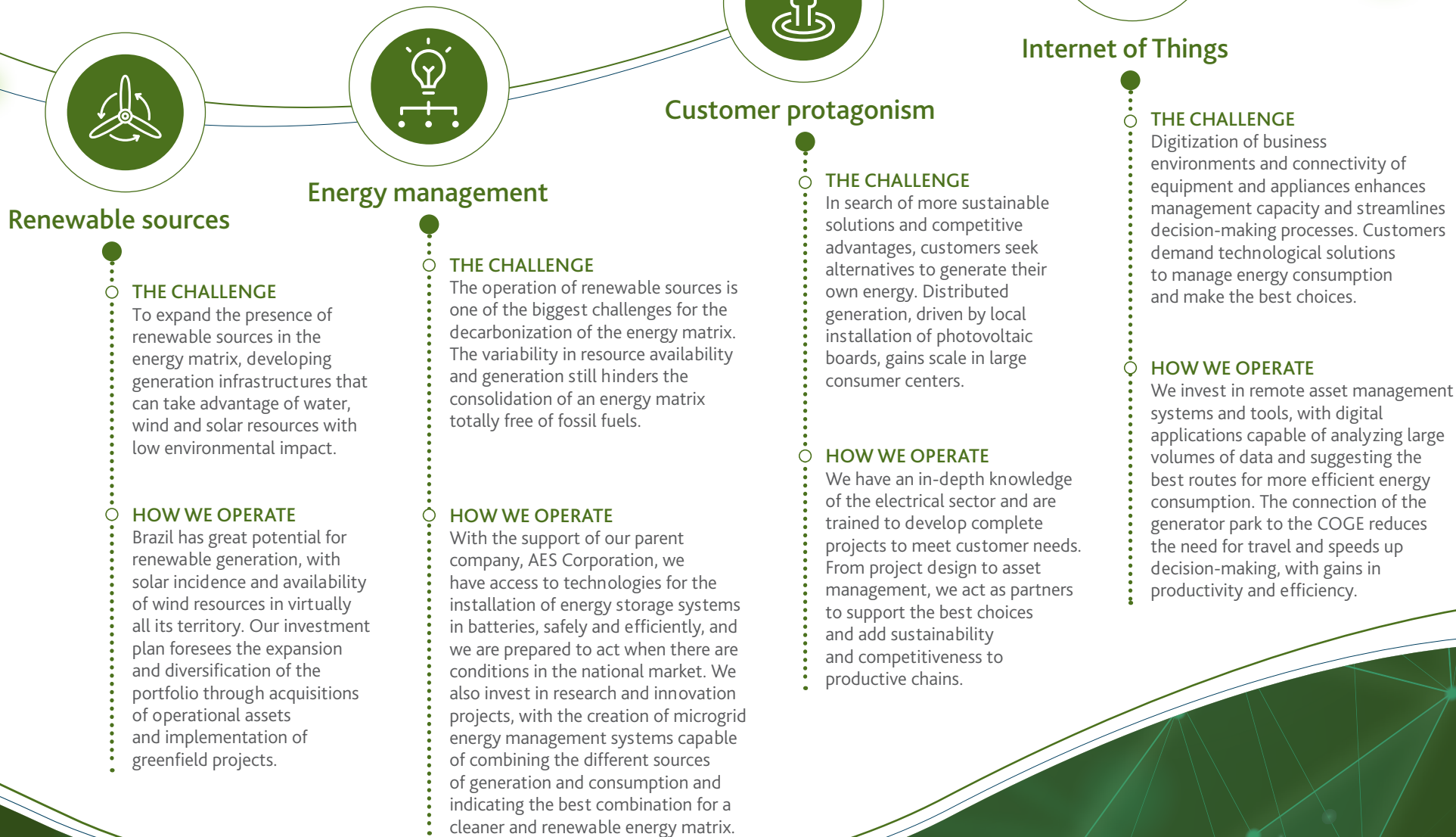
The transition of our society to a low carbon economy has begun. The impacts of climate change, caused by the concentration of greenhouse gases in the atmosphere and the resulting increase in the average temperature of the planet, can reduce productivity in practically all sectors of the economy and generate catastrophic consequences for communities most exposed to climate risks.

Since 2015, when the Paris Agreement signed a global effort to prevent the planet's temperature from rising by 2 °C, governments and energy consumers in different countries have sought mechanisms to promote the decarbonization of the energy matrix. Corporations from a wide range of sectors seek to improve their energy consumption by acquiring it from renewable sources and investing in energy efficiency. This empowerment of our customers in energy decisions has opened opportunities for us to develop solutions together that benefit not only business but society as a whole.



Energy transition strategy

Learn about the main challenges that this context presents for business and how we seek to differentiate ourselves in this new operating scenario.



Economic and operational performance



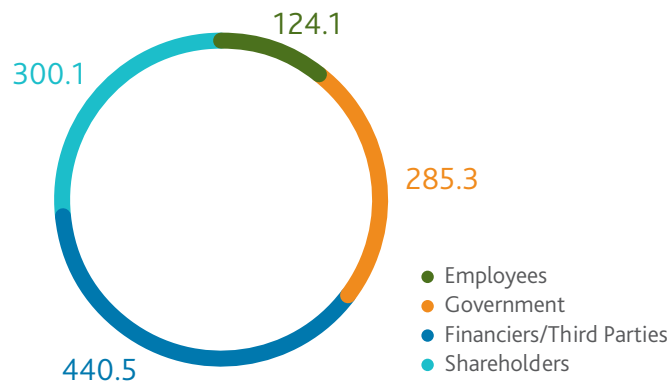
Economic and operational performance

To be a company with positive results in the long term, we seek to ensure a solid capital structure and optimize the operation of our power generation assets through technical excellence and investment in new technologies. This management model guarantees continuous growth and the return on the investments made.

The total added value distributed in 2019 was BRL 1.15 billion, in line with last year's performance. The payment to third parties, which includes rents and interest, is the most representative, with 38% of the total, followed by payment to shareholders and the government.



Distribution of added value in 2019 (BRL million)



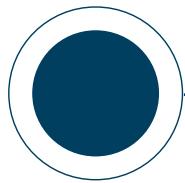
Distribution of added value (BRL thousand)

	2019	2018	2017
Employees	124,090	112,043	99,505
Government	285,320	324,653	330,730
Financiers/Third Parties	440,453	427,456	297,840
Shareholders	300,119	287,963	298,277
TOTAL	1,149,982	1,152,115	1,026,352

Commercial strategy

Our commercial strategy is based on an active portfolio management focused on mitigating water risk, seeking opportunities for short, medium and long term energy contracting with profitability and lower price volatility.

This strategy has three main pillars:



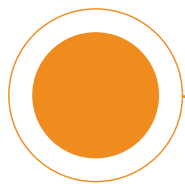
Early energy purchase

Purchases to strengthen our position in the driest months of the year and decrease exposure to spot purchases.



Physical guarantee allocation

Differentiated allocation of our energy throughout the year.



Level of hydroelectric energy contracting

Hydroelectric energy contracting for each year, carried out in advance, is used as protection for the lowering of the physical guarantee of the plants caused by the GSF (Generation Scaling Factor).



The combination of these three pillars mitigates the impact of the GSF on our outcome by protecting our trade margin. The constant monitoring of these variables, each month, makes it possible to adopt the best strategies to ensure compliance with the contracts signed with clients and the maintenance of adequate commercial margins for the company's return.

Tucano Wind Complex launches with new partnerships

The Tucano Wind Complex, originated from an option-to-purchase agreement of 582 MW of greenfield wind projects, which took place in 2019, materializes our growth strategy through investment in renewable sources, forming strategic partnerships with our customers. The first phase of the project, already contracted, will be built in Bahia, in an area that covers three municipalities (Tucano, Biritinga and Araci), and will have 322.4 MW of installed capacity.

To make this project possible, we have structured two different models with our clients.

The first was signed with Unipar Carbocloro, a company that operates in the chemical segment, for the creation of a joint-venture responsible for the construction and operation of the wind farm, which has 155 MW of installed capacity. With this model of

operation, we make it possible both to provide the necessary investments for the work and to enter the remote self-production segment, increasing the presence of a cleaner source in its energy matrix. Still with Unipar, we closed a 20-year energy purchase and sale agreement (PPA – Purchase Power Agreement), with supply starting in 2023.

The second partnership closed in 2019, with Anglo American, a multinational in the mining sector, has 167.4 MW of installed capacity and a PPA of 15 years, starting to be supplied in 2022.

The estimated investment in the construction of the first phase of the Complex is BRL 4 million/MW installed. The work is scheduled to begin in 2021. The two contracts together will be responsible for exercising 55% of the option-to-purchase agreement signed.



Operational strategy

In the operation of our generation assets, we seek to achieve maximum efficiency to maximize value generation capacity and cost management. Within this vision, the COGE is a competitive differential that allows us to achieve levels of operational excellence while expanding and diversifying our portfolio.

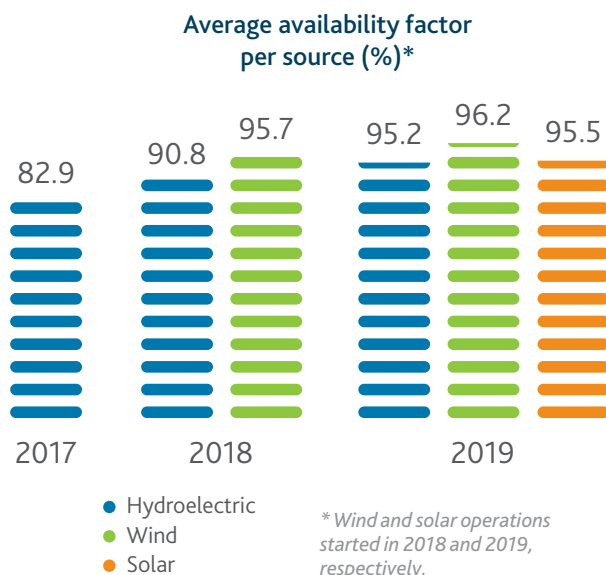
Responsible for the supervision, command and remote and centralized control of all power plants, the COGE fully integrated the Guaimbê and Ouroeste solar complexes in 2019. The technical capacity of our employees was decisive for the success of the operation and for overcoming the challenges related to these generating parks.

One of the aspects in this management is the monitoring and guaranteeing of the functioning of the tracker technology, used in the Ouroeste Solar Complex. This mechanism moves the solar panels throughout the day for maximum use of the sun's energy, and the COGE systems continuously monitor their performance. The management of vegetation in solar power plants has also proved to be a new operational challenge, both in Guaimbê and Ouroeste. This operation is fundamental to avoid shading on the solar panels, which limits the generation capacity, and to mitigate the risk of fires in the plants due to the presence of dry vegetation.

At the Alto Sertão II Wind Complex, we have developed a preventive maintenance plan to

guarantee the availability of the wind turbines and the use of the winds in the interior region of Bahia. Since the incorporation of this asset to the COGE, we have been able to identify significant improvement opportunities in the main equipment and have worked together with suppliers to avoid any shutdown of operations.

With 20 years of experience in the management of hydraulic generation assets, we have achieved a high level of availability in the plants we manage. Knowledge of the operation and mastery of maintenance activities allow us to reach a maximum level of generation, taking advantage of the full potential of water resources.



* Wind and solar operations started in 2018 and 2019, respectively.

Solar plate recovery

In December 2019, we started a pilot project to reuse recovered solar panels. In the traditional process, this equipment is sent for correct disposal, in which the components are separated and sent for recycling, but our technicians have identified a greater potential for reuse.

The project consists of adapting the recovered slabs and using them as a source of energy for the fences around a company's Permanent Preservation Area, located in the municipality of Borborema (State of São Paulo). The isolation protects the 5 hectares under ecological restoration from degradation caused by cattle herds. A single plate is sufficient to electrify up to 50 kilometers of fence.

The technology, which meets all health and safety requirements, does not harm the community or the local fauna. Its benefit is associated with a reduction in the generation of waste in operations and a significant contribution to the conservation of local biodiversity.

The operation of the hydroelectric plants also includes the six locks that are part of the Tietê-Paraná Waterway Hub, all integrated to the COGE. Every two years we carry out programmed maintenance work on these structures, an activity that requires perfect coordination with government agencies and waterway agents. Last year, we prepared a detailed action plan to conduct this activity in 2020 with maximum efficiency and the most agile return on navigation.

Maintenance activities are carried out by third parties, hired through the service provider companies, with a fixed term. The actions at the locks, in addition to programmed intervention for general preventive maintenance of the Ibitinga Power Plant, led to an increase in the hiring of these teams. In 2019, there were 1,165 third parties working in our units, a figure 38% higher than the previous year.

**1,165 third parties
working in our units at
the end of 2019**



Recognition in asset management

Our generation asset management is continuously evolving and the way we work has stood out in the electricity sector. In Brazil, we were pioneers in obtaining PAS 55 and ISO 55001 certificates. We were also one of the first companies in the sector to massify the use of drones and robots to improve the operation of water and solar power plants.

In 2019, we presented a case study about our “Global Drones and Robots Program” during the sixth edition of the Asset Management Meeting for Companies in the Energy Sector (EGAESE). The use of different equipment for flow measurement (boat), underwater inspection (ROV), monitoring of reservoirs and

preservation areas (drones) and automation of reports (GIS) has led to the optimization of resources, cost reduction and increased reliability of operation and maintenance processes, in addition to substantially mitigating the risk related to the safety of our employees, third-party service providers and the general public.

For this initiative, we were recognized for applying best practices and received the National Award for Asset Management Engenheiro Amauri Reigado, in EGAESE. Another seven projects presented by the company were classified as finalists in other categories of the event.

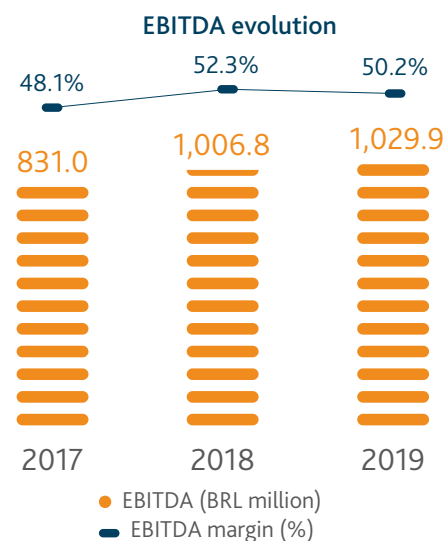
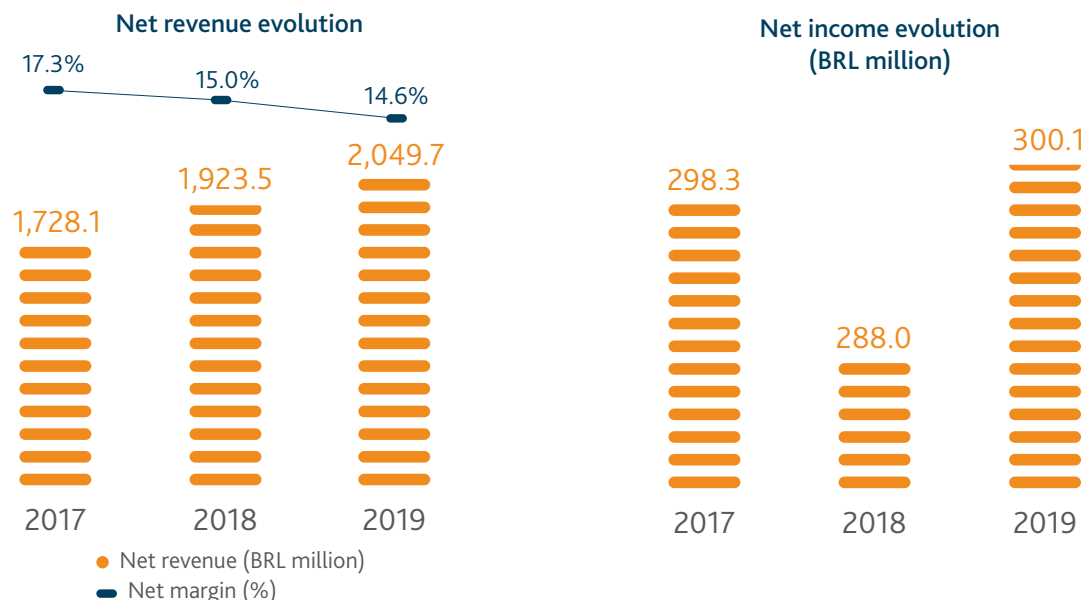


Financial performance

The year of 2019 consolidated the presence of solar energy in our portfolio of renewable sources and the contribution of these new assets to generating value. The Ouroeste Solar Complex, which consists of two photovoltaic generation plants, had its construction finished and has already started commercial operation, joining the Guaimbê Solar Complex, which had started operating at the end of 2018. Both assets contribute to the company's financial results and increase the capacity to diversify generating sources, reducing exposure to water risk.

The positive performance of solar and wind sources, combined with a successful commercial strategy to balance the net margin of the hydroelectric plants, led our company to achieve positive economic results in 2019. The net commercial margin was BRL 1,374.6 million in 2019, an increase of 2.9%, or BRL 38.2 million, when compared to 2018.

This performance reflects 12 months of operation of Guaimbê Solar Complex, the start of full operation of Ouroeste Solar Complex and a better performance of Alto Serão II Wind Complex, which reached an average availability index of 96% in 2019, allowing to seize the higher incidence of wind in the second semester of the year and contributing to margin increase in the period.



Lats year's EBITDA grew by 2,3%, or BRL 23.1 million, in relation to 2018, totaling BRL 1.029,9 million; and net profit increased by 4,2%, or BRL 12.2 million, on the same basis of comparison, ending the year at BRL 300.1 million.

This performance reflects the complementarity brought by the new sources, assuring less volatility in our results and return to our shareholders.

Capital optimization

To strengthen our capacity to invest and expand our business, we worked in 2019 to recompose our company's debt profile. The actions taken in the last year made it possible to obtain more extended maturities and lower debt costs, thereby strengthening the capacity to invest and acquire new projects. Moreover, the new portfolio has a new covenant limit, consistent with the company's growth strategy.

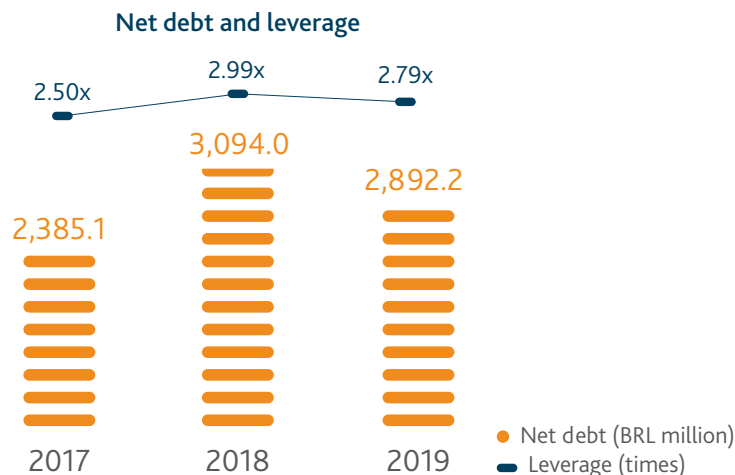
The reorganization of our capital structure involved a total funding of BRL 2.2 billion in debentures last year. Part of these funds – BRL 820 million – were obtained through securities classified as Green Bonds, which are used to finance sustainable projects. These specific resources are intended for the Ouroeste and Guaimbê Solar Complexes and have a 10-year maturity.

The issuance of Green Bonds follows the guidelines of the international organization Climate Bonds Initiative (CBI) and are certified by Sitawi, an entity that promotes financial solutions with social impact in Brazil. With this initiative, we were the first company in Brazil to obtain Green Bonds for solar generation projects.

With more attractive costs and new technologies in equipment, such as larger and more robust wind turbines, the wind source has become a growth vector for our company. Therefore, we have sought opportunities for asset acquisitions and construction of new projects, with a responsible assessment of risks and expected returns in the long term.

In 2019, we studied the acquisition of a new wind farm, Alto Sertão III, located near the assets we already owned. Due to the non-fulfillment of the pre-conditions of the signed Share Purchase and Sale Agreement, the negotiations for the acquisition of the assets were ended. Our company continued to be committed to the growth strategy and made the first phase of the Tucano Wind Complex viable through strategic partnerships with clients (learn more on page 37).

BRL 820 million
were obtained
in Green Bonds
last year



Ethical and responsible management



Ethical and responsible management



The solidness of our Ethics and Compliance Program is a relevant factor for the trust we establish in our relationships with customers, suppliers, partners, investors and other stakeholders. Structured in accordance with the Brazilian (Anti-Corruption Law – No. 12,846/2013) and North American (Foreign Corrupt Practices Act – FCPA) legislation, this set of policies and practices ensures the systematic adoption of measures that guarantee the ethical conduct and compliance of our operations.

The main guideline within this model is the AES Values Guide, our code of conduct, approved by the Board of Directors of AES Corporation in 2007. The Guide presents the corporate values and guides the conduct of our employees in their daily relationships, internally or with external audiences. The wide disclosure of this document is a condition for the dissemination of a culture of compliance.

Therefore, we apply training on the Ethics and Compliance Program to all new hires and, every two years, to all employees – the last recycling took place in 2018, the next one being scheduled for 2020. At these moments, professionals sign a copy of the Guide, formalizing their commitment to adopt the expected behaviors in their daily lives. We also continuously promote internal campaigns, with emphasis on the Global Ethics Day, in which we raise awareness throughout the company on compliance subjects, in addition to biannual training sessions with the leadership, which acts as a content multiplier with its teams. With this approach, we ensure that 100% of employees are continuously communicated and trained in anti-corruption policies and practices.

For external audiences, we also publicly disclose our anti-corruption guidelines. AES Tietê's potential and current partners are also assessed for compliance aspects through due diligence processes that mitigate reputational risks to the company. Institutionally, we are signatories of the Business Pact for Integrity and against Corruption, articulated by Instituto Ethos. For 2020, we plan AES Tietê's adhesion to the Pro-Ethical Seal, an initiative of the Comptroller General of the Union (CGU) that evaluates and rewards organizations committed to integrity and compliance in business.

Another relevant front of the Program is our guidance and reporting channel, the AES Helpline. Available in Portuguese and six other languages, it can be accessed through our website or by calling 0800 891 4167. The manifestations received are analyzed by a specialized team and treated with total secrecy, zero tolerance to retaliation and possibility of anonymity of the declarant. The contract for channel management is conducted globally: after the first filter of the company responsible for receiving the calls, the AES Corporation team is notified, forwarding the issues to the local teams. This whole process goes through an external audit every year.



We achieved an 86% satisfaction index in the 2019 Climate Survey and were included, for the fourth consecutive year, among the Best Companies to Work For in Brazil (Você S.A./FIA)

Employee satisfaction

Working in a company committed to ethics and integrity is also a factor of pride in belonging for our employees. Evidence of this is that we registered 86% in the satisfaction index of our Climate Survey, applied in 2019. Our goal is to achieve 90% satisfaction by 2023. In addition, for the fourth consecutive year, we are among the 150 Best Companies to Work For in Brazil, a ranking prepared by Você S/A magazine in partnership with Fundação Instituto de Administração (FIA). We occupy the third place in the electric utilities sector, with a happiness index of 77.4 (on a scale of 0 to 100).

Manifestations on AES Helpline*

	2019	2018	2017
Consultations	9	9	5
Reports	31	14	9

**In 2019, there were no confirmed cases of corruption or discrimination through the AES Helpline*

Safety first

Safety is our company's first value. Ethical and responsible management requires the care of our employees and the third parties who work in our units, in addition to the communities around our assets. One of the main achievements in 2019 in this scope was to obtain the ISO 45001 certificate, which replaces the OHSAS 18001 one, for the Guaimê Solar Complex, the Alto Sertão II Wind Complex and all the hydroelectric plants. The integration of the operation and the solidity of the processes consolidated in the hydroelectric plants allowed AES Tietê to achieve certification in a short period of operation of wind and solar monitoring. It is worth mentioning the pioneering occupational health and safety management system certification in the hydroelectric, solar and wind segments, simultaneously.

The soundness of the health, safety and environmental policy and practice system has also

been attested by another audit cycle promoted by AES Corporation. Held every three years, this process covered in 2019 our hydroelectric plants and the Alto Sertão II Wind Complex. Over the course of four weeks, auditors from group companies in other countries visited our operations. No critical or highly relevant deviations have been identified and all opportunities for improvement already have an action plan in place. The audit of the solar power plants was scheduled for 2020, with the entry into operation of the Guaimbê and Ouroeste solar complexes.

The installation works of the new plants are also an example of the safety culture in the company. Acting very close to the contracted companies, we have shared knowledge and stimulated the adoption of best practices. The safety indicators of these activities are accounted for in the recordable

Technology in safety management

Our online platform for third-party service providers management gained new features in 2019. Created in the previous year to systematize the control of documentation and hours worked by the contracted professionals, the system began to include the pre-qualification process of the suppliers, until then conducted separately to each new contract, and automated the communications with these companies, which were previously conducted via e-mail. These changes have optimized the flow of information, bringing more agility and traceability of data. The effectiveness of the tool has also been proven by the feedback received from contractors, who in many cases began to adopt the platform itself as the control basis for the management of their health and safety indicators.

and lost time incident rates, for which we have set corporate targets. Throughout the construction of the Ouroeste Solar Complex, which involved around 1.5 million hours of work, there was no record of incidents with lost time.

In the view of the indicators by the US OSHA methodology, which we adopted for alignment in reporting to AES Corporation, we achieved the target for total Recordable Rate, but we had one accident with a third party service provider at Guaimbê Solar Complex, which led to time lost and impacted the LTI Rate (Lost Time Indicator).

Occupational health and safety indicators*

	2019	2018	2017
LTI Rate - Lost time incident rate (fatal incidents and typical incidents with lost work days)			
Employees	0.00	0.19	0.00
Third Parties	0.10	0.00	0.31
Goal	0.00	0.00	0.01
Recordable Rate - recordable incident rate (includes fatal incidents, LTI and typical incidents without loss of working days)			
Employees	0.00	0.19	0.00
Third Parties	0.51	0.31	0.46
Goal	0.64	0.64	0.64

*Data reported in accordance with the Occupational Safety & Health Administration (OSHA) standard, an agency of the United States Department of Labor.

Teamwork to prevent incidents

Our approach to incident prevention is complemented by efforts to prevent occurrences, especially the "Don't Conform to Risk" program. This initiative encourages employees to report any hazards they may have identified in operations, through dialogue with the leadership, by specific e-mail or by digital system – including in an anonymous way.

We have also prepared a pocket guide so that professionals have at their disposal a form to fill in identifying these risks. The document can be detached and delivered to the leaders. The program also promotes the strengthening of the safety culture through the recognition of proactive employees, who made the most significant reports and contributed to the reduction of risks in activities.

Another relevant development in the year was the global adoption of a new incident investigation methodology. Called "Tap Root", this system promotes a thorough assessment of the root causes of any incident, allowing the identification of latent problems and working on improvements in a more assertive way.

Health and safety training is planned to ensure that the entire workforce is properly qualified in the regulatory standards applicable to each type of activity and in the operating procedures defined. We guarantee the training of all employees through the annual process of survey of training needs and

by monitoring presence in the courses. In addition, we have Internal Accident Prevention Commissions (CIPAs) in our units, for which representatives are elected by the employees themselves. In locations where CIPA is not mandatory, we form Fire Brigades and formally designate a professional or group of people as responsible for the safety issue.

We demand the same discipline and compliance from the contractors in this matter, monitoring the validity of each service provider's certificates through an online portal. This tool allows, for example, to identify when a professional access our unit without being up to date with specific safety training or that are

required by the nature of their activities and are the responsibility of their contractors. In these cases, we block access to the internal areas of the plants to avoid their exposure to the risk of accidents.

Regarding the worker's health aspects, we act both in the periodic performance of exams and in the disclosure of information and awareness of the teams. Every year, in the Internal Week for Incident Prevention (SIPAT), we address topics such as alcohol, drugs and sexually transmitted diseases, inviting all employees and third parties to lectures and special programs for this event.





Customer satisfaction



Customer satisfaction

Our company's growth in Brazil is aligned with AES Corporation's global strategy to expand the presence of renewable-based generation assets in its business portfolio. The success of our strategy is linked to increasing customer satisfaction with the solutions we deliver as an integrated energy platform, enabling the formation of strategic partnerships for investment in new wind and solar power plants.

The signing of the contract with Unipar Carbocloro for the creation of a joint-venture for wind power generation highlights this capacity – the industrial group was the first in Brazil to join the free energy market in 1999.

We currently have a base of approximately 200 customers, a number that has grown each year as a result of the wide range of solutions and services we offer. Our strategy is directed at investigating the market and the needs of national companies, assessing opportunities so that we can make a difference and add value and sustainability to their businesses.



Approximately
200 companies
make up
our current
customer base



Market intelligence

To support our commercial strategy, we have a team dedicated to developing new products and solutions in the energy segment. In addition, this area is responsible for analyzing market data and information, segmenting it in order to identify groups of customers with greater potential and subsidizing the commercial area for a more agile and efficient approach.

To do so, we conduct market research, use statistical tools and evaluate customer response to new solutions. This model of action feeds back and allows a continuous evolution of the value proposal that our company has to offer.

Satisfaction survey

Every year, we evaluate our clients' satisfaction by means of a survey that investigates various aspects of the relationship we establish. The survey, conducted by an external and independent company, contributes to the improvement of our strategy and to direct the development of innovations.

In 2019, we reached 72.2% in the NPS (Net Promoter Score), an index that aims to measure the degree of customer loyalty, an evolution in relation to the 61.4% result obtained in the previous year. In addition, the Perceived Quality Satisfaction Index (ISQP) remained at a high level of 93%.

Partnerships and solutions

To serve customers with maximum efficiency, we have structured our portfolio to be a flexible and adaptable integrated energy platform. Thus, in 2019, we won new business and helped large companies migrate to a more sustainable energy management model.

The McDonald's fast food chain joined our company in 2019 in a contract to migrate to the free market of 205 units, distributed in São Paulo, Rio de Janeiro and the Federal District. For this project, the developed plant will have 5.3 MW of installed capacity.

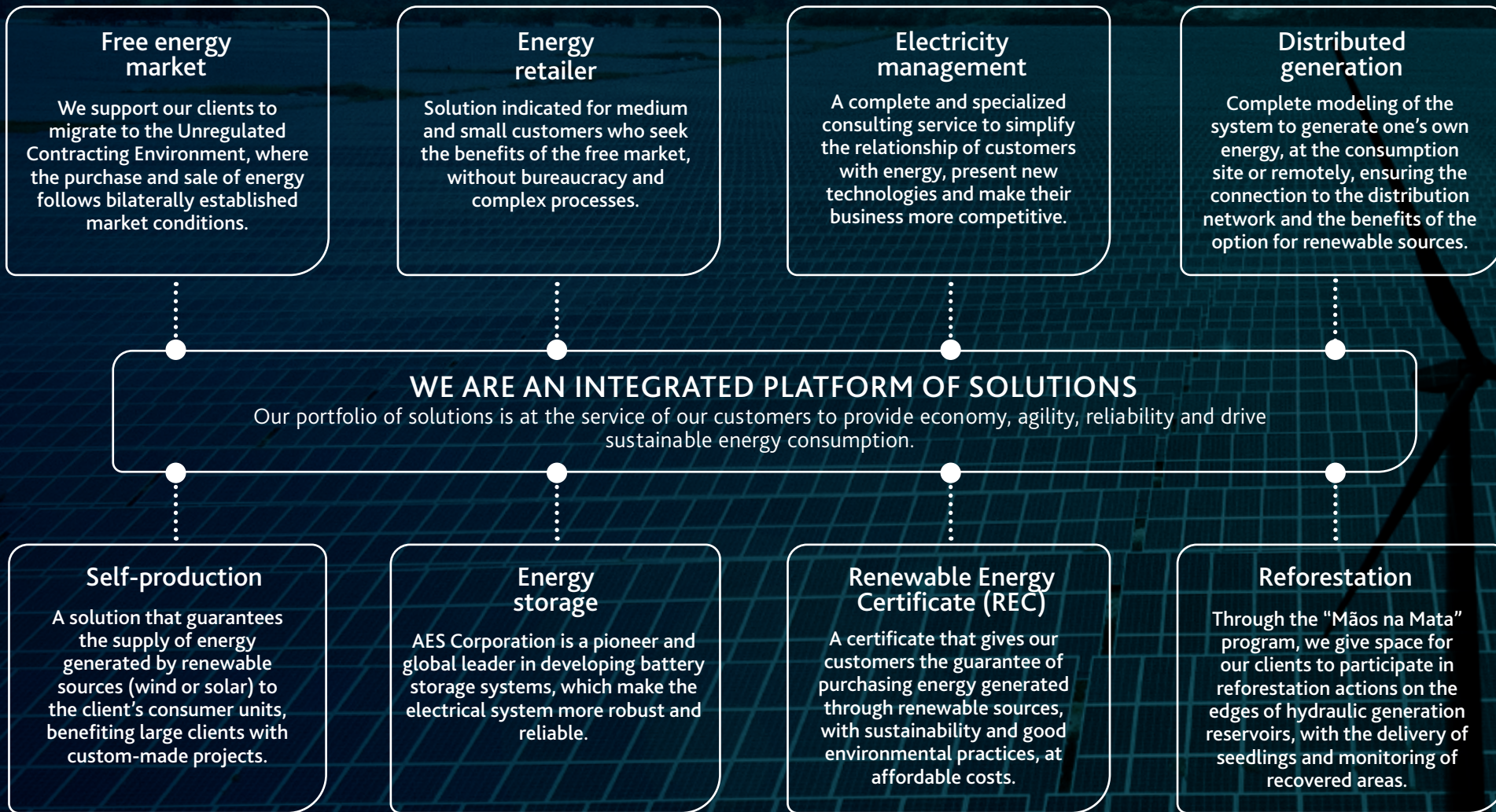
For Senac, one of the largest educational institutions in the country, our solutions have allowed the migration of the 55 educational units to the free energy market, with economy and agility for contracting the energy



supply. The client has also joined Energy Retailer, a solution indicated for companies with multiple consumption units.

For both contracts, our company modeled the consumption load and became responsible for all interaction with the Chamber of Electric Energy Trading (CCEE), allowing schools, Senac hotels and offices and McDonald's restaurants to have access to better price conditions, predictability and control of spending and protection against possible operational risks.

In 2019, we reached 72.2% of Net Promoter Score, and kept the Perceived Quality Satisfaction Index at a high level of 93%



Energy intelligence



Energy intelligence

Innovation is the path that leads us to develop solutions for our customers focused on enabling intelligent and efficient consumption of electricity. By proposing new products and tools that contribute to overcoming energy challenges, we generate value for society as a whole through more sustainable production chains connected to the demand for economic models with lower environmental impact.

Innovations and new technologies

The development of the Microgrid system and the Virtual Power Plant (VPP) are two examples of prototypes of innovations based on this model of performance and that have great potential to transform the way our customers consume electricity.

Microgrid is a solution that integrates and manages, autonomously, all the sources of generation, storage and points of energy consumption of a customer. The system analyzes the variables in real time and, without the need for human intervention, offers the best combination at each moment. Thus, the generation by photovoltaic panels, for example, can be consumed in real time or stored in batteries to be dispatched at peak times, with optimization of the relationship between cost and benefit. The system has already been tested and is currently in full operation at our Power Generation Operations Center (COGE).



The VPP, in turn, acts as a virtual power plant, enabling the integration between microgrids and energy assets of different customers, aggregating the volumes of load and power generation to meet portfolio demand in the free market. With this innovation, cogeneration systems underused in a company, for example, or energy stored in batteries may be remotely dispatched at certain times to commercialize this surplus with other customers who are in deficit. Smart algorithms are able to evaluate various scenarios and weigh the cost of energy, providing more efficiency and gains for all involved.

2 system prototypes exemplify our model of innovative performance



Boosting startups

The relationship with startups that develop solutions in the area of electrical energy is a strategy that we have adopted since 2016 to drive the development of innovations. We were the first company in the sector to use the resources of the Research and Development Program (R&D) regulated by ANEEL in this sense and we became a reference for the market.

In 2019, we completed the selection and acceleration stage of the second edition of the project in partnership with Liga Ventures. Two startups were selected, out of a total of 144 registered, and received support of BRL 750,000, in addition to mentoring for the development of approved projects. In the first edition, conducted between 2017 and 2018, two other initiatives were accelerated, with the development of prototypes for the online management of energy consumption and the construction of wind turbines in urban environments.

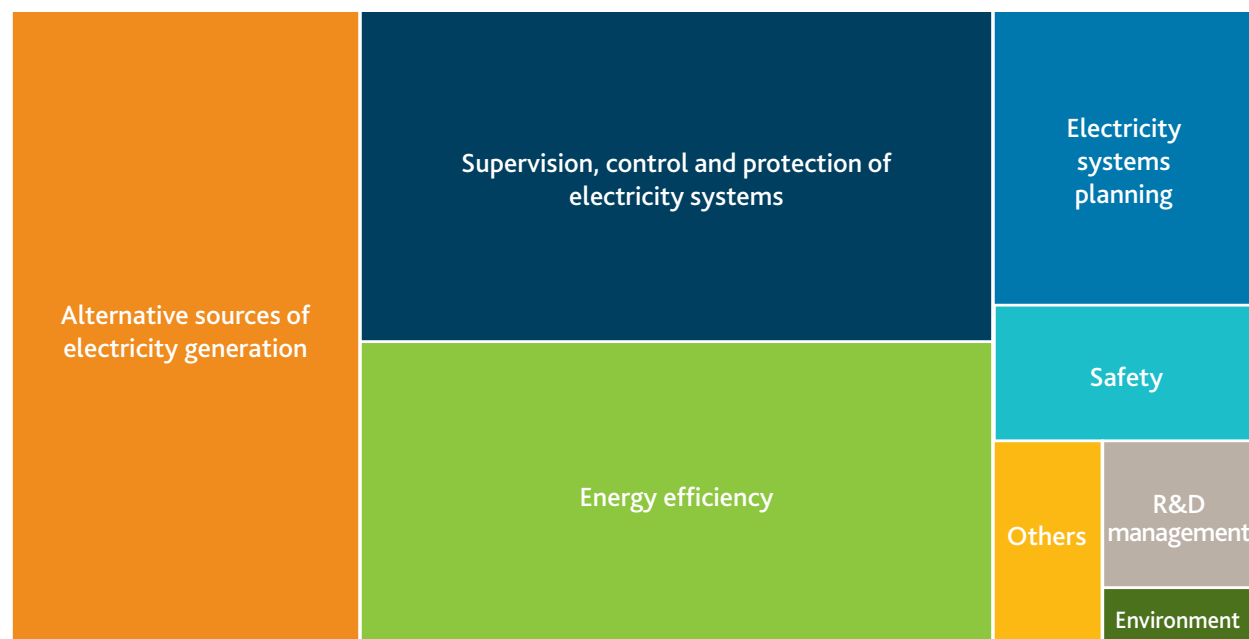
One of the current initiatives is that of the company MovE, which has designed a project to connect electric vehicle conductors, electric stations and energy suppliers and thus have the potential to boost the electric mobility market. The other project, by Mitsidi Brain, is an automated diagnostic platform for energy optimization of small and medium sized consumer establishments.

Boosted companies exemplify the way we research and structure new ideas based on our innovation platform, which has six guidelines:

- Internet of Things;
- Energy Storage;
- Distributed Generation;
- Digital Energy Solutions;
- Reliable and Energy Quality Tools; and
- Energy Management.

Investments in R&D projects in 2019 totaled BRL 7.9 million

Distribution of investments by research line





Accessibility



Accessibility

Our business model is geared towards providing our customers with broad access to energy solutions through innovative technologies. To this end, we seek to strengthen the culture of innovation in our company, leading our teams to play a central role as interlocutors between developers and the market, a role that is strengthened by the dissemination of the culture of innovation aimed at facing energy challenges.

One of the most important projects developed in this direction in 2019 was the realization of a corporate diagnosis of our innovation capacity. With the support of an external consultancy, we interviewed the company's leaders and clients, and sent a questionnaire on the subject to all employees. This initiative aimed to identify our current stage in the innovation journey and compare it with other companies in our sector.

From the inputs collected and from workshops with the leaders, we built our own methodology for managing innovations – from the idea to the design of new products. The development is based on design thinking methodologies, Lean Startup philosophy (to add value to production flow) and the structuring of a tool kit for project management.

Finally, we have trained a group of approximately 20 employees to act as disseminators of the innovation culture and of our methodology for corporate innovation management. The areas of innovation and project management work together on this front, with the aim of consolidating ourselves as an innovative company in our market.

**20 employees
were trained
as disseminators
of corporate
innovation**



Summer Jobs for the young innovators

In order to disseminate the culture of innovation in all our areas, we joined in 2019 the Summer Jobs program aimed at promoting practical experiences for undergraduate students during the holiday period. The initiative was designed by the Centro de Estudos e Sistemas Avançados do Recife (CESAR), a non-profit institution focused on research and innovation.

All our areas were invited to submit challenges and critical questions that could be worked on by students of courses such as computer science, engineering, administration, economics, among others. For six weeks the students had the opportunity to apply theories and propose innovative solutions by means of prototypes under the guidance of CESAR tutors.



Socio-environmental impact



Socio-environmental impact

Our commitment to safety in operations is made explicit in AES Tietê's number 1 value and involves, in addition to operational and community safety efforts (learn more on page 45), a systematic model for managing the dams of our hydroelectric power plants. For this, we rely on the use of technology, discipline in the application of inspections and broad transparency with the regulatory bodies and the municipalities of the areas of influence.

The dams of our power plants are strong and consolidated structures, built with the most rigorous technical engineering standards and their integrity is fundamental to both the safety of the regions and the availability of assets for power generation. We monitor in real time all weather and river affluence conditions that may impact the reservoirs, in addition to periodic evaluations of control structures and instruments. There are 54 weather stations distributed in the affluents of the reservoirs so that we can predict behaviors in flood situations. Dam verifications include the use of drones for aerial or submerged structure surveys, as well as visual inspections foreseen in specific procedures. We also continuously invest in qualifying our employees to be ready in case of deviations, through training in the Operating System in Emergencies (SOSEm).



According to the applicable legal requirements, we have updated and forwarded to the National Electrical Energy Agency (ANEEL) the risk assessment sheets of our 9 hydroelectric plants and 3 small hydroelectric plants. In addition, we have made available to the 126 municipalities in our area of influence the Emergency Action Plans (EAPs) so that each municipality can develop, together with the Civil Defense, the respective municipal action plans. Our support to local government will continue after the sending of the EAPs: for 2020, we plan to hold regional workshops so that the community of all these cities can be involved in the exchange of information and planning of measures.

Monitoring the 4,800 kilometers of reservoir edges contributes to ensure the compliance of the occupations in the surroundings and local safety

BRL 100,000
are invested annually in
awareness initiatives to the
population around the plants



The monitoring of the 4.8 thousand kilometers of reservoir edges that we manage – a slightly greater distance than the Brazilian extension from north to south (in a straight line from Oiapoque to Chui) – is also important to ensure the compliance of the occupations in the surroundings. In an intensified effort since 2016, we have worked with the owners and local inhabitants to regularize the areas and, when this is not possible, to vacate them. In 2019, 3,769 properties had this process completed. This action is fundamental for safety in the region and helps us to disseminate to local audiences the same culture of compliance that we have adopted in our own areas.

We invest around BRL 100,000 annually in initiatives to raise awareness and educate the population around our operations, in addition to promoting visits to our units. In reservoirs, we always activate audible alerts before the opening of floodgates, to avoid accidents with people who may exceed the safety limits. With this management, we have not registered any accidents with the population in our assets since 2009.

Climate change

Our operations and investments are fully aligned with the concept of a low carbon economy: generating energy from renewable sources and offering an integrated energy platform for energy efficiency for our clients. In line with this business vision and in the spirit of serving as an example of our purpose, we are committed to mitigating greenhouse gas emissions caused by our activities.

These emissions are mainly caused by our own consumption of electrical energy at our facilities and, secondarily, by the use of fuels in our operations and the air travel of our employees. Through the Climate Change Subcommittee, established in 2017 and composed of members from the Operations, Environment and Sustainability areas, we promote several initiatives in order to minimize emissions in these activities. Progress on action plans is monitored quarterly through subcommittee meetings.

In 2019, several initiatives taken by this group deserve to be highlighted. We have reviewed our fleet management processes, mainly composed of light vehicles, to focus on ethanol supply and we are implementing alternatives for sharing or hitchhiking among employees to reduce displacement, in addition to improving the use of technological tools to avoid displacement and promote digital and remote meetings, such as Microsoft Teams. Our fleet



management teams always check, at the time of the request by a vehicle, if another employee will also make the same route. We are also developing an application that will automate this approach, allowing the employee himself to verify the possibility of sharing the trip.

57% of the consumption in our fleet was ethanol, a renewable fuel



Energy generated from fuels in the fleet (GJ)			
	2019	2018	2017
Renewable sources			
Ethanol	4,573.51	4,079.07	4,229.55
Non-renewable sources			
Diesel	2,236.70	2,087.41	2,674.94
Gasoline	1,191.89	1,143.97	294.43
Total non-renewable	3,428.59	3,231.38	2,969.37
TOTAL	8,002.10	7,310.45	7,198.92



For the third consecutive year, we publish our GHG inventory with the Gold Seal, which attests to the external verification of the data released

Last year, total energy consumption from fuel combustion was 9% higher in the annual comparison, due to the higher number of journeys between units. Ethanol use grew 12%, increasing its share in the company's energy matrix. Currently, gasoline is only used on boats that monitor the tanks.

In the second half of the year, we also promoted an internal campaign to raise awareness and reduce electricity consumption and started a carbon pricing project. In addition, we began internal planning to offset the air travel emissions of all AES Corporation companies by planting seedlings around the reservoirs.

For the third consecutive year, we published our greenhouse gas inventory, prepared in accordance with the Brazilian GHG Protocol Program, with the Gold Seal, which attests to the external verification of data and ensures greater reliability of information made publicly available. For the inventory cycle for operations in 2019, which should be completed in the first half of 2020, we will maintain the data audit. A preliminary version of the inventory, presented in this report, points to a reduction in scopes 1 and 2, due to lower fuel and electrical energy consumption.

In our Sustainability Guidelines, we have specific targets to reduce electricity consumption and greenhouse gas emissions from energy generated. By 2023, we plan a 2% decrease in these rates compared to 2018.

GHG emissions inventory (tCO ₂ e)*			
	2019	2018	2017
Scope 1			
Emissions	223	359	304
Biogenic emissions	316	326	307
Scope 2			
Indirect emissions by energy consumption	320	1,062	606
Scope 3			
Other indirect emissions	249	255	219

*The numbers are preliminary and subject to change after the launch of the updated tool of the Brazilian GHG Protocol Program, scheduled for April 2020.

Risks and opportunities in climate change

In our management model, we systematically monitor the risks and opportunities for business associated with possible climate change. This form of action is based on the company's ongoing processes for assessing and prioritizing risks, which systematize the evaluation of external data and information and capture the leadership's vision of the externalities that can impact our operations.

Voluntarily, we detail the main risks and opportunities we identify related to the topic in the Carbon Disclosure Program (CDP) platform. We participate in the international coalition that seeks to improve the availability to international investors of information on governance of the issue within publicly traded companies.

Overall, climate change can impact our business through new regulations and GHG emission reduction requirements. This is a worldwide trend and, as mechanisms of this type have already been adopted in other countries, we follow the evolution of this scenario for the Brazilian electricity sector.

In addition, one of the main impacts for our operations may be related to the reduction of water availability for power generation. This factor can occur in cases of change in rainfall volumes and, in case of negative variation,

increase our exposure to water risk – one of the most critical aspects that we manage.

On the other hand, climate change opens space to accelerate the search for new renewable energy sources and the development of products and services with a smaller climate

footprint. Thus, we see opportunities for the growth of our business, fully based on renewable generation and the delivery of innovative solutions created and formatted in partnership with customers.





Environmental management

Our Integrated Management System ensures the environmental compliance of all our activities and strategically organizes investments in health, safety and environment. In 2019, one year after consolidating the system for operations in the new sources in our portfolio, we achieved ISO 14001 recertification for all hydroelectric plants and the first certification for Guaimbê Solar Complex and Alto Sertão II Wind Complex.

This achievement evidences the assertiveness in the management of licenses and conditions and in the

monitoring, mitigation and compensation of any environmental impacts in our activities.

To have even more agility and reliability in managing these aspects, we implemented since last year a Power BI dashboard to record all impacts, hazards and risks in health, safety and environment. The platform, available for viewing by all employees, is also an important tool for certificates, as it ensures traceability and availability of information for decision-making.

In 2019, we achieved ISO 14001 recertification for the hydroelectric plants and the first certification for Guaimbê Solar Complex and Alto Sertão II Wind Complex

Reforestation

The preservation of reservoirs edges is much more than a legal obligation for AES Tietê. Through "Mãos na Mata", in partnership with SOS Mata Atlântica, we promote these reforestation actions by establishing partnerships with other organizations. In this model, we assign the planting area, the seedlings and the management expertise of our environmental technicians and count on the investments of the partners to multiply the scale and the positive impacts of the recovery of areas.

Our nursery at the Promissão hydroelectric power plant produces about 1 million seedlings annually, used in "Mãos na Mata", in AES Tietê compensatory plantations and in seedling donation actions for locals, such as surrounding producers and city halls. In 2019,

we supported the environmental literacy program of the state government of São Paulo, providing 56,000 seedlings and technical support. In this project, students from the public network visit the surroundings of the reservoirs and participate in environmental education actions – each student even plants their own seedling. By 2020, the expectation is to magnify this model with the city halls, expanding its scope and planting.

In 2019, we planted 243.78 hectares, reaching our regulatory commitment and internal planting target of 243 hectares per year. Throughout the concession period, 6.2 thousand hectares will be recovered, of which 65.5% have already been planted by the end of the last period.

**243.78
hectares
were reforested
last year**



Wildlife protection

Besides the local flora, we also work for the protection of animal life and two specific conservation projects – “Lobos do Pardo” and “Pardas do Tietê” – are in progress. These initiatives involve the capture, examination and monitoring of the habits of the maned wolf and the brown jaguar, so that we can better understand how they move in the areas maintained by the company and what the habits of the species are. The expectation is to expand this type of study in 2020 with efforts directed at mutum, a specie of bird that plays an important role in environmental preservation, and which is currently threatened with extinction.

In the aquatic environment, our Fishing Management, Water Quality Monitoring and Macrophyte Monitoring Programs are already established. We release 2.5 million fingerlings of six native species (pacu-guaçu, curimatá, dourado, piranjuba, tabarana and piapara) every year, for restocking the reservoirs, in addition to fish rescue actions when maintaining the generating units, spillways and locks. Research and development projects complete this systematic approach, highlighting the case of the Quimerism. In this method, we are working to reinsert the catfish species.



**2.5 million
fingerlings are
restocked annually
in the reservoirs**



In the operations of the Alto Sertão II Wind Complex, our main challenge lies in a more detailed understanding of the Cerrado and Caatinga environments, and the interactions of our windmills with these biomes. Among the environmental initiatives that we develop in the region, we highlight the recovery actions of degraded areas, using ecological restoration techniques – such as direct sowing, implementation of cores, soil recovery and planting of seedlings.

Relationship with communities

The investments we make in social projects amplify the positive impacts of our business on society and the communities near our operations. Our actions, in this context, are based on the conviction that we need to boost the development of the regions where we are present so that we can grow in a sustainable manner. In 2019, based on the structuring of our Sustainability Guidelines, we undertook a complete review of the strategy for this action by actively listening to our stakeholders – leaders, employees, customers and community representatives.

The final stage of the process was the holding of a workshop that guided the construction of the new Private Social Investment Guidelines, aligned with the way we acted, but clearer regarding the objectives and guiding principles.

Thus, our investments are focused on achieving a purpose – to improve lives through solid partnerships for the sustainable development of AES Tietê and its surrounding communities. The projects supported must

be connected to at least one of the three pillars that support our strategy, meeting its objectives.

In 2019, the total allocated for social investments was approximately BRL 2.5 million, adding the company's own resources and those obtained through incentive laws. This capital is materialized in projects that contribute to transform local realities and promote sustainable development in a structured way.

Objective

To improve lives through strong partnerships for the sustainable development of AES Tietê and its surrounding communities.

Supporting local development

- Promoting culture
- Encouraging sports
- Protecting and defending rights

Objective

To contribute to the development of the territory through the promotion of culture, sports and human rights in all phases of life.

Education and awareness

- Environmental preservation and protection
- Encouragement of youth protagonism

Objective

To help future generations to be more aware of and protagonist in the changes in their surroundings.

Productive inclusion

- Supporting the facilitation of access to water
- Qualification of production for subsistence
- Strengthening of associativism and cooperativism

Objective

To contribute to the economic development and autonomy of the communities surrounding our assets.

Cross-cutting themes

- Innovation
- Sustainability
- Energy

Ways of acting Active listening | Building partnerships | Diversity
Public Communities of the municipalities of the power plants' and offices' areas of influence

Volunteering

Geração+

The Geração+ Project promotes the engagement of students and teachers from public schools in research and exploration actions focused on four pillars: wildlife and flora, solid waste, electricity and leisure and safety. For each theme, participants develop research activities that strengthen reading, writing, artistic expression, observation and critical sense skills.

In 2019, we worked in 13 schools in the municipalities of Promissão, Sabino, Brejo Alegre, Guaimbê, Ubarana, José Bonifácio and Adolfo – in the state of São Paulo – with the participation of 3,126 students and 209 elementary school teachers.



Impulso empreendedor

The Impulso Empreendedor Project, carried out in the city of Promissão (State of São Paulo), was developed in 2018 and 2019 and aimed at strengthening the management of family farmers, assisting participants in strategic planning and development of business plans, in addition to accompanying them during practical implementation.

As a result of the project, in 2019, the Regional Cooperative of Producers in the Northwest of the State of São Paulo (COOPREN) formalized the first contract, with the Municipality of Birigui, in the amount of BRL 1.3 million, to supply 150 tons of fruit, grains and vegetables for school meals.

Pulsar

The Pulsar Project promotes the training of young people between 14 and 18 years old who study in State Technical Schools (ETECs) through workshops that stimulate the culture of entrepreneurship and the aggregation of knowledge about energy. In 2019 the initiative was implemented in the State of São Paulo, in the municipalities of Barra Bonita, Ibitinga and Jaú, and in the State of Bahia, in a municipal school of Igaporã.

Students go through a training process to develop impactful business models involving clean and sustainable energy sources. At the end of training, the participating students present their projects in a Demoday to a judging panel, which elects the three best, awarded with a visit to our Guaimbê Solar Complex. In the last year, more than a thousand students participated in the actions.



Social investment

Pillar	Project	Area of influence	No. of beneficiaries	Resources invested*	Origin of resources
Education and Awareness	Pulsar Project Training workshops and other activities focused on strengthening the entrepreneurial culture of social impact and energy in technical schools in the interior of São Paulo, in partnership with Impact Hub and Centro Paula Souza.	Barra Bonita, Ibitinga and Jaú (State of São Paulo) and Igaporã (State of Bahia)	129 students	BRL 207,408.00	Own resources
	Geração+ Mobilization of students and teachers from public schools to create a network guided by the values and ideals of sustainability, addressing the following topics: waste management, wildlife and flora, leisure and safety and electrical energy.	Adolfo, Brejo Alegre, Guaimbê, José Bonifácio, Promissão, Sabino and Ubarana (State of São Paulo)	3,126 students and 209 teachers	BRL 369,330.00	Own resources
Productive Inclusion	Sustainable Beekeeping Strengthening the management of the Polo Cuesta Beekeepers Association, so that they expand the commercialization of their products and use the areas of Atlantic Rainforest and Cerrado restored by AES Tietê.	Itatinga (State of São Paulo)	80 beekeepers	BRL 110,761.15	Own resources

*The projects invested through incentivized resources received contributions in December 2019 to carry out the initiatives in 2020. The other projects were carried out in the same year as the investments (2019).

Pillar	Project	Area of influence	No. of beneficiaries	Resources invested*	Origin of resources
Support for Local Development	Municipal Councils for the Rights of Children and Adolescents Support for registered social projects, according to the priorities and norms established by the Council.	Barra Bonita, Boraceia, Buritama, Lins, Mococa, Ouroeste and Promissão (State of São Paulo)	977 served	BRL 380,000.00	Funds Received – FUMCAD (Municipal Fund for the Rights of Children and Adolescents)
	Municipal Councils of the Elderly Support to registered social projects, according to the priorities and rules established by the Council.	Buritama, Mococa and Promissão (State of São Paulo)	106 served	BRL 380,000.00	Funds Received – IMF (Municipal Elderly Fund)
	Cine at Praça Screening of outdoor films in public squares and holding of workshops to revitalize the squares with the involvement of youth and children.	Caetité, Guanambi, Igaporã and Pindaí (State of Bahia)	About 3,500 people per municipality	BRL 300,000.00	Funds Received – Federal Culture Incentive Law
	Reading Corners Implementation of a space, with a small reform and adaptations, to offer 1,200 books, technical material on recycling, sustainability and environment for the school community.	Two municipalities to be defined	About 500 people per municipality	BRL 200,000.00	Funds Received – Federal Culture Incentive Law
	Reading in the Countryside Implementation of a space, with small reforms and adaptations, to offer 1,200 books, technical material on recycling, sustainability and environment for the rural school community.	Two municipalities to be defined	About 500 people per municipality	BRL 200,000.00	Funds Received – Federal Culture Incentive Law
	Public Network Teachers Training Training in educational sport management for educators and public managers with the aim of promoting the principles of inclusion, diversity, collective construction, integral education and autonomy in their communities.	Caetité, Guanambi, Igaporã and Pindaí (State of Bahia)	80 educators	BRL 330,000.00	Funds Received – Federal Sports Law

*The projects invested through incentivized resources received contributions in December 2019 to carry out the initiatives in 2020. The other projects were carried out in the same year as the investments (2019).

Annexes to the Report



Complement to GRI disclosures

102-8 and 102-41 | Information on employees and other workers and Collective bargaining agreements

100% of our employees are covered by collective labor agreements or conventions. All our employees work full-time and under open-ended contracts.

Number of employees by gender and region*

	2019			2018			2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Northeast	6	3	9	7	2	9	at	at	at
Southeast	333	106	439	341	104	445	338	50	428
TOTAL	339	109	448	348	106	454	338	90	428

*We also have 10 apprentices (4 men and 6 women)

102-13 | Membership of associations

We participate in several sector entities, which contribute to the debate of key issues in the markets where we operate and to the sharing of good practices. This engagement is also relevant to the defense of common interests on the public agenda and to disseminate the company's sustainability vision. Among the main entities in which we are present, we highlight: American Chamber of Commerce (Amcham); Brazilian Wind Power Association (Abeeólica); Brazilian Association of Electric Power Generation Companies (Abrage); Brazilian Association of Photovoltaic Solar Power

(Absolar); Brazilian Association of Power Storage and Quality (Abaque); "Brazilian Association of Independent Power Producers (Apine); Energy and Climate Working Groups and SDG of the Global Compact; and Sindienergia.

102-45 | Entities included in the consolidated financial statements

The data encompasses all of our businesses (AES Tietê and subsidiary companies), in line with our Financial Statements, except for justified exceptions in the respective disclosures.

102-48 | Restatements of information

Any data restatements, which differ from those reported in previous years, are indicated in the respective occurrences

102-50, 102-51 and 102-52 | Reporting period, Date of most recent report and Reporting cycle

The Report, published annually in conjunction with the Financial Statements of our company, covers the period from January 1 to December 31, 2019. The last edition was published in 2019, referring to the year of 2018.

102-53 | Contact point for questions regarding the report

Comments, suggestions and questions about the content of the publication can be sent to sustentabilidade@aes.com.

102-54 | Claims of reporting in accordance with the GRI Standards

This Report was prepared in accordance with the GRI Standards: Essential option.

102-56 | External assurance

The Report was subject to external verification, as in previous years. See the assurance report on page 79.

302-1 and 302-3 | Energy consumption within the organization and Energy intensity

In 2019, internal electricity consumption totaled 45.6 thousand MWh, a 9% reduction compared to the previous year. The energy intensity index, which measures the relationship between this consumption and our installed capacity, was 71.18 MWh/MW, reflecting the same reduction in absolute consumption.

305-4 | GHG emissions intensity

In 2019, the emission intensity index, which measures the relationship between this impact and our installed capacity, was 0.35 tCO₂e / MW, considering only scope 1. This performance is equivalent to a 37.9% reduction in annual comparison. From the perspective of scopes 1 and 2 combined, the emission intensity index was 0.85 tCO₂e / MW, 61.8% less than in the previous year. It should be noted that these values are preliminary, due to the process of preparing the inventory of greenhouse gases, which depends on the calculation tool of the GHG Protocol Brazilian Program, whose launch is scheduled for April 2020.

403-7 and 403-8 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships and Workers covered by an occupational health and safety management system

AES Tietê's commercial partners, only the outsourced contractors, are exposed to health and safety risks. All the professionals of these companies, as well as the company's employees, are covered by the Integrated Management System.

405-1 | Diversity of governance bodies and employees

The Board of Directors was composed, at the end of 2019, of five men and one woman. One member was between 41 and 50 years old and the others were over 51 years of age. In the staff, women occupied 22.5% of the leadership positions (coordinators and above). In addition, we had 10 disabled people on the teams, five of them in administrative areas and the other five in the operation.

Composition of functional levels by gender in 2019

	Men	Women
Executive Board	81.8%	18.2%
Management	79.2%	20.8%
Coordination	75.0%	25.0%
Administrative	55.5%	44.5%
Operational	99.4%	0.6%

Composition of functional levels by age group in 2019

	Up to 30 years old	Between 31 and 40 years old	Between 41 and 50 years old	Over 51 years old
Executive Board	0.0%	27.3%	63.6%	9.1%
Management	4.2%	62.5%	8.3%	25.0%
Coordination	12.5%	37.5%	37.5%	12.5%
Administrative	32.1%	46.4%	14.4%	7.2%
Operational	12.8%	34.3%	24.4%	28.5%

413-1 | Operations with local community engagement, impact assessments, and development programs

All units are covered by social investment initiatives and community engagement mechanisms.

403-2 and 403-9 | Hazard identification, risk assessment, and incident investigation and Work-related injuries

In 2019, we had no accidents with our own employees. Regarding service providers, there were 16 occurrences and one of them was more serious in the Alto Sertão II Wind Complex. There was an attempted murder against the guard of the AES Tietê unit in the city of Guanambi (Bahia), with gunshots from outside the access gate and which hit the

employee of the contractor. The guard received all the support from AES Tietê and the company to which he has a direct employment relationship. This occurrence is being investigated by the local authorities, but we have received information that it is not related to our activities.

Health and safety indicators for own employees by region*

	Northeast	2019 Southeast	Total	2018	2017
Number of accidents	0	0	0	1	1
Days lost/debted	0	0	0	125	0
Man-hours worked	21,053	983,646	1,004,699	1,054,545	903,493
Fatal accidents	0	0	0	0	0
Frequency rate of accidents with and without lost time	0	0	0	0.95	1.11
High severity accident frequency rate	0	0	0	nd	nd
Fatal accident frequency rate	0	0	0	nd	nd
Severity rate	0	0	0	118.53	0

*Data reported in accordance with NBR 14.280. We do not have gender segmentation due to the unavailability of man-hours worked in this format.

Health and safety indicators for third parties by region*

	Northeast	2019 Southeast	Total	2018 Northeast	2018 Southeast	2017 Northeast	2017 Southeast
Number of accidents	1	15	16	0	15	1	5
Days lost/debted	4,660	142	4,802	0	14	4	7
Man-hours worked	223,211	1,753,895	1,977,106	277,332	1,696,517	105,266	1,203,537
Fatal accidents	0	0	0	0	0	0	0
Frequency rate of accidents with and without lost time	4	9	8	0	9	4	5
High severity accident frequency rate	4	9	8	nd	nd	nd	nd
Fatal accident frequency rate	0	0	0	nd	nd	nd	nd
Severity rate	20,877	81	2,429	0	8	6	94

*Data reported in accordance with NBR 14.280. We do not have gender segmentation due to the unavailability of man-hours worked in this format.

EU8 | Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development

Resources applied in Scientific and Technological Research and Development (BRL thousand)

By research topics (Research and Development Manual - ANEEL) - BRL thousand	2019	2018	2017
FA - Alternative sources of electricity generation	2,135.60	3,838.31	2,454.69
MA - Environment	96.68	1,020.92	1,465.53
SE - Safety	375.15	-26.64	507.61
EE - Energy Efficiency	1,971.32	2,319.28	56.16
PL - Electric Power Systems Planning	792.00	515.83	32.84
SC - Supervision, Control and Protection of Electrical Power Systems	2,094.12	901.49	2,458.31
QC - Quality and Reliability of Electric Power Services	0.00	0.00	13.96
R&D Management	221.30	300.08	408.68
Other	224.80	46.18	431.46
TOTAL	7,910.97	8,915.45	7,829.24

EU30 | Average plant availability factor by energy source and by regulatory regime

The availability of hydroelectric power plants was higher in 2019 mainly due to the 16.4% reduction in unscheduled downtime, reflecting the solidity and continuity of the asset management system. In the Alto Sertão II Wind Complex, the improvement was also important, as there was a 15.9% reduction in unscheduled stops and an increase in the time dedicated to preventive maintenance, replacing the corrective with the preventive with a substantial improvement thinking about business sustainability.

Length of downtimes per unit (hours) in 2019		
	Scheduled	Unplanned
Hydroelectric		
Água Vermelha	620.6	97.8
Bariri	1,684.7	566.2
Barra Bonita	2,008.8	101.2
Caconde	258.8	93.7
Euclides da Cunha	1,664.0	122.8
Ibitinga	8,803.1	269.6
Limoeiro	601.8	248.3
Nova Avanhandava	1,682.2	229.7
Promissão	154.9	27.4
PCH Mogi Guaçu	730.2	126.8
PCH São Joaquim	8,760.0	0.0
PCH São José	12,587.0	680.6
TOTAL	39,556.0	2,564.1
Wind (Alto Sertão II Wind Complex)		
Da Prata	591.3	3,834.8
Dos Araçás	1,276.0	9,865.8
V Nordeste	892.3	6,063.5
Tanque	901.7	2,346.8
Morrão	916.3	5,530.4
Seraíma	1,634.6	7,565.6
Maron	900.4	2,246.5
Pilões	887.9	4,322.4
Ametista	883.0	2,239.7
Dourados	791.6	2,058.9
Caetité	933.0	4,548.1
S. do Espinhaço	621.1	6,445.5
Espigão	364.0	3,401.5
Borgo	546.5	1,049.7
Pelourinho	699.5	2,213.5
TOTAL	12,839.2	63,732.7
Solar		
Boa Hora	0.0	544.9
Guaimbê	0.0	248.1
TOTAL	0.0	793.0

Average availability factor per unit (%) in 2019	
	2019
Hydroelectric	
Água Vermelha	98.6
Bariri	91.4
Barra Bonita	93.9
Caconde	98.0
Euclides da Cunha	94.9
Ibitinga	65.5
Limoeiro	95.1
Nova Avanhandava	92.7
Promissão	99.3
PCH Mogi Guaçu	95.1
PCH São Joaquim	0.0
PCH São José	24.3
GENERAL	95.2
Wind (Alto Sertão II Wind Complex)	
Da Prata	96.1
Dos Araçás	93.3
V Nordeste	94.3
Tanque	97.9
Morrão	95.9
Seraíma	94.2
Maron	98.0
Pilões	96.7
Ametista	97.9
Dourados	98.1
Caetité	96.5
S. do Espinhaço	92.7
Espigão	92.8
Borgo	98.5
Pelourinho	97.4
GENERAL	96.2
Solar	
Boa Hora	93.8
Guaimbê	97.2
TOTAL	96.1

GRI content index

GRI Standard	Disclosure	Page	Omissions	Global Compact
GRI 101 Foundation 2016				
General disclosures				
Organizational profile				
	102-1 Name of the organization	6	-	-
	102-2 Activities, brands, products, and services	6 and 7	-	-
	102-3 Location of headquarters	7	-	-
	102-4 Location of operations	7	-	-
	102-5 Ownership and legal form	16	-	-
	102-6 Markets served	6 and 7	-	-
	102-7 Scale of the organization	12 and 41	-	-
	102-8 Information on employees and other workers	9 and 70	-	6
GRI 102	102-9 Supply chain	22	-	-
General disclosures 2016	102-10 Significant changes to the organization and its supply chain	8	-	-
	102-11 Precautionary Principle or approach	62	-	-
	102-12 External initiatives	23 and 24	-	-
	102-13 Membership of associations	70	-	-
Strategy				
	102-14 Statement from senior decision-maker	3 and 4	-	-
	102-15 Key impacts, risks, and opportunities	18, 19, 20, 21, 23, 24, 28, 29 and 33	-	-
Ethics and integrity				
	102-16 Values, principles, standards, and norms of behavior	19 and 43	-	10
	102-17 Mechanisms for advice and concerns about ethics	44	-	10
Governance				
	102-18 Governance structure	17	-	-

GRI Standard	Disclosure	Page	Omissions	Global Compact	
Stakeholder engagement					
GRI 102 General disclosures 2016	102-40 List of stakeholder groups	23 and 26	-	-	
	102-41 Collective bargaining agreements	70	-	3	
	102-42 Identifying and selecting stakeholders	23 and 26	-	-	
	102-43 Approach to stakeholder engagement	23 and 26	-	-	
	102-44 Key topics and concerns raised	24 and 25	-	-	
	Reporting practice				
	102-45 Entities included in the consolidated financial statements	70	-	-	
	102-46 Defining report content and topic Boundaries	23 and 24	-	-	
	102-47 List of material topics	24 and 25	-	-	
	102-48 Restatements of information	70	-	-	
	102-49 Changes in reporting	24	-	-	
	102-50 Reporting period	70	-	-	
	102-51 Date of most recent report	70	-	-	
	102-52 Reporting cycle	70	-	-	
	102-53 Contact point for questions regarding the report	70	-	-	
	102-54 Claims of reporting in accordance with the GRI Standards	70	-	-	
102-55 GRI content index	75, 76, 77 and 78	-	-		
102-56 External assurance	70 and 79	-	-		
GRI Electric utilities sector supplement 2013	EU1 Installed capacity, broken down by primary energy source and by regulatory regime	12 and 13	-	-	
	EU2 Net energy output broken down by primary energy source and by regulatory regime	12 and 13	-	-	
Material topic Economic and operational performance					
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	25, 35, 36, 37, 38, 39, 40 and 41	-	-	
	103-2 The management approach and its components	35, 36, 37, 38, 39, 40 and 41	-	-	
	103-3 Evaluation of the management approach	14, 35, 36, 37, 38, 39, 40 and 41	-	-	
GRI 201 Economic performance 2016	201-1 Direct economic value generated and distributed	35	-	-	
	201-2 Financial implications and other risks and opportunities due to climate change	61	-	7	
GRI Electric utilities sector supplement 2013	EU6 Management approach to ensure short and long-term electricity availability and reliability	20 and 21	-	-	
	EU30 Average plant availability factor by energy source and by regulatory regime	38 and 74	-	-	

GRI Standard	Disclosure	Page	Omissions	Global Compact
Material topic Ethical and responsible management				
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	10, 11, 25, 43, 44, 45 and 46	-	-
	103-2 The management approach and its components	10, 11, 43, 44, 45 and 46	-	-
	103-3 Evaluation of the management approach	10, 11, 14, 43, 44, 45 and 46	-	-
GRI 205 Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	43 and 44	-	10
	205-3 Confirmed incidents of corruption and actions taken	44	-	10
GRI 403 Occupational health and safety 2018	403-1 Occupational health and safety management system	45	-	-
	403-2 Hazard identification, risk assessment, and incident investigation	45, 46 and 72	-	-
	403-3 Occupational health services	46	-	-
	403-4 Worker participation, consultation, and communication on occupational health and safety	46	-	-
	403-5 Worker training on occupational health and safety	46	-	-
	403-6 Promotion of worker health	46	-	-
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	71	-	-
	403-8 Workers covered by an occupational health and safety management system	71	-	-
GRI 404 Training and education 2016	404-1 Average hours of training per year per employee	10	-	6
	404-3 Percentage of employees receiving regular performance and career development reviews	11	-	6
GRI 405 Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	71	-	6
GRI 406 Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	44	-	6
GRI Electric utilities sector supplement 2013	EU18 Percentage of contractor and subcontractor employees that have undergone relevant health and safety training	46	-	-
Material topic Customer satisfaction				
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	25, 48, 49 and 50	-	-
	103-2 The management approach and its components	48, 49 and 50	-	-
	103-3 Evaluation of the management approach	14, 48, 49 and 50	-	-

GRI Standard	Disclosure	Page	Omissions	Global Compact
Material topic Energy intelligence				
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	25, 52 and 53	-	-
	103-2 The management approach and its components	52 and 53	-	-
	103-3 Evaluation of the management approach	14, 52 and 53	-	-
GRI Electric utilities sector supplement 2013	EU8 Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development	52, 53 and 73	-	-
Material topic Accessibility				
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	25 and 55	-	-
	103-2 The management approach and its components	55	-	-
	103-3 Evaluation of the management approach	14 and 55	-	-
Material topic Socio-environmental impact				
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	25, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67 and 68	-	-
	103-2 The management approach and its components	57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67 and 68	-	-
	103-3 Evaluation of the management approach	14, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67 and 68	-	-
GRI 302 Energy 2016	302-1 Energy consumption within the organization	59, 60 and 71	-	7 e 8
	302-3 Energy intensity	71	-	8
GRI 304 Biodiversity 2016	304-2 Significant impacts of activities, products, and services on biodiversity	63 and 64	-	8
GRI 305 Emissions 2016	305-1 Direct (Scope 1) GHG emissions	60	-	7 e 8
	305-2 Energy indirect (Scope 2) GHG emissions	60	-	7 e 8
	305-3 Other indirect (Scope 3) GHG emissions	60	-	7 e 8
	305-4 GHG emissions intensity	71	-	8
GRI 413 Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	58, 65, 66, 67, 68 and 71	-	1
	413-2 Operations with significant actual and potential negative impacts on local communities	57 and 58	-	1
GRI Electric utilities sector supplement 2013	EU21 Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans	57 and 58	-	-
	EU25 Number of injuries and fatalities to the public involving company assets including legal judgments, settlements and pending legal cases of diseases	58	-	-

Assurance statement



STATEMENT BY SGS ICS CERTIFICADORA LTDA. (SGS) REGARDING THE SUSTAINABILITY ACTIVITIES PROVIDED IN "SUSTAINABILITY REPORT 2019" GIVEN TO AES TIETÊ ENERGIA S.A

NATURE AND SCOPE OF ASSURANCE

The SGS was hired by AES TIETÊ to carry out the third-party assurance of their Sustainability Report 2019. The assurance scope, based on assurance methodology of sustainability reports of SGS, comprises the disclosure verification under GRI standards in 2019.

The information provided in "SUSTAINABILITY REPORT 2019" and its presentation is a sole responsibility of AES TIETÊ management structure. The SGS is not involved in the preparation of any material, including the in the said report, such as risk analysis, materiality tests and other critical issues that may affect severally the AES TIETÊ business. We are liable for giving our opinion of the GRI disclosures and their texting, data, charts and statement within the assurance scope in order to keep the AES TIETÊ stakeholders informed.

The SGS Group has developed a set of assurance protocols for Sustainability Communication based on the best practices provided in GRI Sustainability Reporting Standards and the assurance standard - ISAE3000. Such protocols offer different assurance levels depending on context and capacity of organization, in this case AES TIETÊ.

This report was assured considering our protocols to assess the content authenticity and its alignment with the requirements of GRI Sustainability Reporting Standards, (Universal Standards 101, 102 and 103) and the requirements of Topic-specific Standards (GRI 200, GRI 300 and GRI 400) according to the material issues identified by AES TIETÊ through our process detailed herein. Furthermore, the sectorial disclosures - GRI G4 Electric Utilities. Based on this context, the "SUSTAINABILITY REPORT 2019" is considered as "Core option".

The assurance process comprised (i) the disclosure review, information and data provided in sustainability draft (ii) interviews with strategic employees, both to understand the report data and to understand the management process connected with the material issues and (ii) desktop review of the documents forwarded by AES TIETÊ to SGS. The AES TIETÊ accounting information and or detailed in reference list of "SUSTAINABILITY REPORT 2019" were not assessed in this assurance process.

IMPARTIALITY AND COMPETENCE STATEMENT

The SGS Group is global lead in inspection, analysis and verifications services, operating in more than 140 countries and rendering services that includes management system certification, audits and trainings on quality, environmental, social and ethic segments, sustainability assurance reports and greenhouse gases verification. The SGS attests your independence against AES TIETÊ, stating that is exempt from interest conflict with the organization, their subsidiary and stakeholders.

The assurance team was composed according to members' expertise, experience and competence for this activity, the team is composed of:

- Lead Auditor for Sustainability Assurance Report, Lead auditor for socioenvironmental programs, lead auditor for greenhouse gases.
- Auditor for Sustainability Assurance report, Lead auditor for socioenvironmental programs

ASSURANCE OPINION

A broad assurance was ordered, and the work carried out was enough and appropriate to a robust assurance. Regarding the verification performed on methodology, process and data provided by AES TIETÊ, we attest the information and data provided on disclosures of "SUSTAINABILITY REPORT 2019" are reliable and a true and accurate representation of the sustainability activities performed by AES TIETÊ in reference year 2019. The assurance team thinks the report can be used by company's stakeholders as part of their processes of company evaluation. The organization selected the Core Option, which meets their needs.

In our opinion, based on preliminary report that was checked at the company head office in São Paulo and on material provided by AES TIETÊ, the report content meets fully the GRI Standard requirements including those from sectorial disclosures - Electric Utilities.

RECOMMENDATIONS, FINDINGS AND CONCLUSIONS OF ASSURANCE

The disclosures of AES TIETÊ Report, "SUSTAINABILITY REPORT 2019", is aligned with Sustainability Reporting Standards, (Universal Standards 101, 102 and 103) and with the requirements of Topic-specific Standards (GRI 200, GRI 300 and GRI 400), Core Option. It is also important to declare that the material aspects and their limits were properly set according to Reporting Principles and indicated over the report.

We recognize AES Tietê is commitment and dedicated effort in seeking new opportunities to improve its internal activities to add sustainable value to the company. The review and significant change in the material topics presented in the "SUSTAINABILITY REPORT 2019" reaffirmed AES Tietê is commitment to sustainability and its stakeholders

In terms of contribution to improvement and development of future sustainability reports and to more-effective assurance process, we recommend to AES TIETÊ that:

1. Disclose the goals and targets for all material issues. In our opinion the report should be used as information source of sustainability for the stakeholders and grounding their decision making
2. Promote better the disclosure and take advantage internally of the thoughts taken from new materialization process performed in order to mature the contact points to the stakeholder for future progress toward the sustainability.
3. For the reporting context, keep searching for a summarized report, without poor content. Try to highlight the relevant gains of the sustainability area that consolidate itself against the management and strategy every year.
4. Search to involve issues related to diversity, promoting the interaction and engagement of minority or vulnerable groups, in order to create an inclusive management and the maturing of relations between the organization and the groups.

Finally, SGS congratulates AES TIETÊ for the initiative of carrying out the assurance of their report, for the historical commitment to sustainability and wish the significant advances on this matter are kept over the coming years.

February 20th, 2019

Executed by and on behalf of SGS

Fabian Peres Gonçalves
Business Manager - Sustainability

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Lead Auditor for Sustainability Report

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